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COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES.

SPECIAL COMMITTEE

ON

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THE INVESTIGATION OF THE
PANAMA RAILWAY
COMPANY.

Hon. DORSEY W. SHACKLEFORD, Chairman.

Hon. WILLIAM C. LOVERING.

Hon. CHARLES E. TOWNSEND.

Hon. JOHN J. ESCH.

Hon. WILLIAM C. ADAMSON.

FEBRUARY, 1905.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.

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INVESTIGATION OF PANAMA RAILWAY COMPANY.

24 STATE STREET,
New York City, February 13, 1905.

Present, Hon. D. W. Shackelford (chairman), Hon. Wm. C. Lovering, Hon. John J. Esch, Hon. Charles E. Townsend, and Hon. William C. Adamson, committee.

Also, Mr. J. Edward Simmons, president; Edward A. Drake, vice president and secretary; William Nelson Cromwell, general counsel; Sylvester Deming, treasurer; and Vernon H. Brown, director; of the Panama Railroad Company.

Meeting called to order at 10.35 a. m.

The CHAIRMAN (Mr. Shackelford). I will ask Mr. Simmons, Mr. Cromwell, and Mr. Drake, who are present, to appear as witnesses, and they will be sworn.

Mr. J. Edward Simmons, Mr. Edward A. Drake, and Mr. William Nelson Cromwell were then sworn by the chairman.

Mr. ESCH. I would suggest, Mr. Chairman, that the resolution of the House of Representatives providing for this hearing be introduced here.

The CHAIRMAN. That may be done; the resolution may be inserted and marked Exhibit 1.

EXHIBIT No. 1.

[House of Representatives, Resolution No. 384, Fifty-eighth Congress, third session, Report No. 3474.]

Mr. Shackelford submitted the following resolution:

Whereas the United States is now the owner of more than ninety-eight per centum of the shares of the capital stock of the Panama Railway Company and it is for that reason expedient that Congress should have full knowledge of the affairs of said company: Therefore, be it

Resolved, That the Committee on Interstate and Foreign Commerce be, and is hereby, directed to investigate the operation, management, and condition of said railway company and all franchises and property belonging thereto, including steamships owned, operated, or controlled by it, or under any contract or agreement of any kind or character with it; that such committee make such investigations and report the testimony with their conclusions thereon as soon as possible, and that said committee or any duly appointed subcommittee thereof shall have power to examine any or all records, books, documents, accounts, and vouchers of said company, or of any officer or agent thereof or of any person, company, or corporation which may have had any agreements or relations with said railway company, and all records and minutes of the acts and proceedings of any meeting of the stockholders or directors of said railway company, and shall have power to administer oaths, to employ or have the services of a stenographer, clerk, accountant, and messenger, and incur such other expenses as may be deemed necessary; that the meetings of said committee or subcommittee be held in the Capitol building at the city of Washington and in such other places as said committee or subcommittee shall determine, and the necessary expenses shall be paid out of the contingent fund of the House on the usual vouchers.

The CHAIRMAN. Mr. Simmons, I believe you are the president of the board of directors?

Mr. SIMMONS. Yes; I am president of the company.

The CHAIRMAN. Will you provide us with the annual report of the board of directors for 1902, and immediate preceding years?

Mr. SIMMONS. Yes; I hand you copies of the annual report of the years 1893 to 1903, inclusive.

The CHAIRMAN. Mr. Townsend, you may examine Mr. Simmons with reference to the reports first.

Mr. TOWNSEND. I will ask you, Mr. Simmons, what is your full name and your connection with this company?

Mr. SIMMONS. My name is Joseph Edward Simmons, and I am president of the Panama Railway Company.

Mr. TOWNSEND. How long have you occupied that position?

Mr. SIMMONS. I was elected in 1895.

Mr. TOWNSEND. Had you been connected with the railroad as stockholder or director prior to that time?

Mr. SIMMONS. I had.

Mr. TOWNSEND. For how long?

Mr. SIMMONS. Several years.

Mr. TOWNSEND. Can you tell when you first became associated with this railroad in an official capacity?

Mr. SIMMONS. I can not; the records will show.

Mr. DRAKE. About 1889.

Mr. SIMMONS. About 1889; yes.

Mr. TOWNSEND. You had been a stockholder prior to that?

Mr. SIMMONS. No; I had not been a stockholder prior to that.

Mr. TOWNSEND. But you became director at the time you became a stockholder?

Mr. SIMMONS. Yes.

Mr. TOWNSEND. What was this corporation originally capitalized for?

Mr. SIMMONS. I think the original incorporation was \$7,000,000.

Mr. TOWNSEND. Your offices are in the city of New York?

Mr. SIMMONS. They are.

Mr. TOWNSEND. For how long have they been here?

Mr. SIMMONS. Ever since I have been connected with the company.

Mr. TOWNSEND. You keep all of your records in this office?

Mr. SIMMONS. About all the records, excepting such records as are necessarily kept at the Isthmus.

Mr. TOWNSEND. What records are those?

Mr. SIMMONS. Relating to the office of the superintendent.

Mr. TOWNSEND. Does he make reports to the office here?

Mr. SIMMONS. He does.

Mr. TOWNSEND. How often?

Mr. SIMMONS. Whenever we call for them.

Mr. TOWNSEND. There is no stated period for him?

Mr. DRAKE. The mail arrives every Tuesday, bringing the operations up to date.

Mr. TOWNSEND. Filed and adopted.

Mr. SIMMONS. Oh, yes; they are adopted.

Mr. DRAKE. The reports of accounts are made up monthly, quarterly, semiannually, and annually. The annual reports are compiled

from those. We are constantly in communication with the Isthmus by every Tuesday's arrival.

Mr. TOWNSEND. So that practically your complete record is here in the office, with the exception of the report of a few weeks back?

Mr. DRAKE. Yes, sir; for fifty years back they have been preserved and are in a fireproof apartment of this office.

Mr. TOWNSEND. Please say who constitute your present board of directors.

Mr. CROMWELL. I will read the names of the present board of directors: Edward A. Drake, J. Edward Simmons, Samuel M. Felton, J. H. Parker, William Nelson Cromwell, Vernon H. Brown, John D. Walker, William H. Burr, C. Ewald Grunsky, William Barclay Parsons, G. W. Davis, B. M. Harrod.

Mr. TOWNSEND. When were those gentlemen elected directors?

Mr. SIMMONS. The records will tell.

Mr. TOWNSEND. Were they elected at your regular annual meeting?

Mr. SIMMONS. Yes; every year we elect our board of thirteen directors.

Mr. TOWNSEND. When?

Mr. CROMWELL. In April of each year. The following-named members were elected at the last annual meeting, April, 1904, to wit: Edward A. Drake, J. Edward Simmons, Samuel M. Felton, J. H. Parker, William Nelson Cromwell, and Vernon H. Brown. During the year, by resignations of those who formerly occupied the places, there have been elected Messrs. Walker, Burr, Grunsky, Parsons, Davis, Harrod, and Hecker. The latter has resigned.

Mr. SIMMONS. We elect a board of directors every year, and whenever a vacancy occurs we fill it.

Mr. CROMWELL. If you would like to know when the election of the new members occurred during the year, we show that.

Mr. TOWNSEND. Mr. Simmons, your board of directors elected you president immediately after the election of the directors?

Mr. SIMMONS. I think I was elected president, soon after the death of Gen. John Newton, by the board of directors. He died in office, and I was elected to succeed him. After the board of directors were elected they then elected me president in May, 1895.

Mr. TOWNSEND. Have you devoted your entire time to the business of the company since you were made president?

Mr. SIMMONS. I have exercised general supervision over the affairs of the company since I have been president.

Mr. TOWNSEND. Have you devoted your entire time?

Mr. SIMMONS. Not the entire time, no.

Mr. TOWNSEND. What proportion of your time have you devoted to the affairs of the railroad company?

Mr. SIMMONS. I have been in constant contact with the office, and when my judgment has been asked upon any question that has been submitted to me I have given it. I have always attended the meetings of the board of directors, which take place twice a month. I am chairman of the executive committee, which holds its meetings twice a week.

Mr. TOWNSEND. How much stock do you hold in the company?

Mr. SIMMONS. One share. I had five shares, but I have only one.

Mr. TOWNSEND. How much are the shares?

Mr. SIMMONS. One hundred dollars a share.

Mr. TOWNSEND. Are five shares the most you have ever owned in the company?

Mr. SIMMONS. Yes.

Mr. TOWNSEND. How many did you have in 1889, when you became a member of the company?

Mr. SIMMONS. I don't remember how many shares I had in 1889. I never held over five shares.

Mr. TOWNSEND. What is your salary, Mr. Simmons?

Mr. SIMMONS. Ten thousand dollars a year.

Mr. TOWNSEND. What other officers does this company have?

Mr. SIMMONS. We will give you the list of officers.

Mr. DRAKE. That is a list of the officers [handing statement to Mr. Townsend].

Mr. CROMWELL. The general superintendent has resigned.

Mr. TOWNSEND. So that J. Edwards Simmons is president and George Whaley is vice-president—

Mr. CROMWELL. Mr. Whaley has resigned.

Mr. TOWNSEND. This is the salary list also.

Mr. SIMMONS. Yes.

Mr. DRAKE. That is the salary list of the New York end of the railroad company.

Mr. TOWNSEND. I will ask you to look at that, Mr. President, and say if you can identify it as a correct statement of all the salaried officers and the salaries they individually receive, of the New York end of the Panama Railway Company [handing list to Mr. Simmons].

Mr. SIMMONS. It is correct, to the best of my knowledge and belief.

Mr. TOWNSEND. You may mark that, Mr. Reporter, as Exhibit 2.

EXHIBIT No. 2.

Panama Railroad Company salary list, January 23, 1905.

	Per annum.
Executive officers :	
President	\$10, 000. 00
Vice-president and secretary	8, 500. 00
General manager	7, 000. 00
Secretary's office :	
Assistant secretary	2, 400. 00
Stenographer and typewriter	1, 000. 00
Do	1, 000. 00
Porter and messenger	600. 00
Office boy	312. 00
Telephone boy	216. 00
Accounting department :	
Treasurer	5, 200. 00
Freight cashier	1, 200. 00
Teller and bank messenger	900. 00
Auditor	3, 300. 00
General clerk	1, 800. 00
Bookkeeper	1, 620. 00
General clerk and typewriter	1, 000. 00
Clerk	1, 000. 00
Manifest clerk	1, 020. 00
Voucher record clerk	840. 00
Manifest clerk	840. 00
Do	540. 00
Clerk and messenger	240. 00

Traffic department:	Per annum.
Traffic manager -----	\$6,000.00
Chief clerk -----	1,920.00
Freight solicitor -----	1,800.00
Ticket agent -----	1,500.00
Manifest clerk -----	1,560.00
Claim agent -----	1,500.00
Way-bill clerk -----	1,200.00
Assistant freight solicitor and clerk -----	1,080.00
Clerk -----	900.00
Stenographer and typewriter -----	900.00
Assistant manifest clerk -----	840.00
Messenger -----	720.00
Manifest typewriter -----	720.00
Billing clerk -----	720.00
Clerk -----	720.00
Assistant manifest typewriter -----	540.00
Junior clerk -----	312.00
Inspecting engineer -----	2,400.00
Clerk and typewriter -----	816.00
Purchasing agent -----	1,500.00
Clerk -----	150.00

NEW YORK, *January 23, 1905.*

PIER AND STEAMERS.

Pier No. 67, North River, New York :

Terminal superintendent -----	3,300.00
Clerk -----	1,050.00
Office boy -----	360.00
Receiving clerk -----	1,200.00
Assistant receiving clerk -----	900.00
Delivery clerk -----	1,200.00
Baggage master, etc -----	960.00
Carpenter -----	1,080.00
Cooper -----	1,080.00
Head watchman (\$3 per day) -----	1,080.00
Tally clerk -----	780.00
Tallyman -----	720.00
Gateman -----	720.00

Steamers :

	Per month of 30 days.
Captains -----	\$200.00
Mates -----	75.00
Second mates -----	50.00
Third mates -----	40.00
Chief engineers -----	150.00
First assistant engineers -----	90.00
Second assistant engineers -----	80.00
Third assistant engineers -----	70.00
Pursers -----	90.00
and -----	75.00
Freight clerks -----	50.00
Stewards -----	75.00
and -----	65.00
Surgeons -----	50.00

NOTE.—Each of the above receive \$1 per day board while in port, New York.

NEW YORK, *January 23, 1905.*

EXHIBIT No. 3.

Panama Railroad Company—Salaries of general officers on the Isthmus.

EXECUTIVE OFFICERS.		Per annum.
General superintendent	-----	\$6,000.00
Secretary to general superintendent and land agent	-----	3,300.00
Local auditor	-----	2,700.00
Cashier	-----	2,700.00
TRANSPORTATION DEPARTMENT.		
Assistant superintendent	-----	3,600.00
Train master	-----	2,280.00
Acting freight agent and port captain, La Boca	-----	2,700.00
Assistant freight agent and port captain, Colon	-----	2,700.00
MECHANICAL DEPARTMENT.		
Master mechanic	-----	2,700.00
ROAD DEPARTMENT.		
Road master	-----	2,700.00
SUPPLY DEPARTMENT.		
Commissary	-----	2,700.00
LEGAL DEPARTMENT.		
Counsel, Panama	-----	1,728.00
Lawyer, Panama	-----	1,464.00
Real estate lawyer, Colon	-----	1,200.00

FEBRUARY 6, 1905.

Mr. DRAKE. That list also includes the personnel of the steamers.

Mr. TOWNSEND. Has the amount of the salaries been changed any within the last year?

Mr. SIMMONS. Not any material changes; no, sir.

Mr. TOWNSEND. Has it within the last two years?

Mr. SIMMONS. No, sir.

Mr. TOWNSEND. Are you prepared to tell what changes have been made in that list?

Mr. SIMMONS. I can not tell.

Mr. TOWNSEND. Does Mr. Drake know?

Mr. SIMMONS. Mr. Drake is the operating officer of the road; he can give the minor changes. There have been no material changes.

Mr. TOWNSEND. Have you a list of the officers at the Panama end of the road?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. You stated that the first vice-president, Mr. Whaley, had resigned.

Mr. SIMMONS. Yes.

Mr. TOWNSEND. When did he resign?

Mr. CROMWELL. We will give you the date. September 13, 1904.

Mr. SIMMONS. It must have been five months ago.

Mr. TOWNSEND. What was the occasion for his resignation?

Mr. SIMMONS. Well, he desired to retire.

Mr. TOWNSEND. Was his resignation voluntary on his part?

Mr. SIMMONS. Entirely so.

Mr. TOWNSEND. The board did not request it?

Mr. SIMMONS. No.

Mr. TOWNSEND. Who was elected in his place?

Mr. SIMMONS. Mr. Drake.

Mr. TOWNSEND. So you have abolished the office of first vice-president?

Mr. SIMMONS. Yes, sir.

Mr. TOWNSEND. Mr. Drake, who was second vice-president and secretary, is now first vice-president?

Mr. SIMMONS. He is now vice-president. We do not have any second vice-president and secretary.

Mr. TOWNSEND. Vice-president and secretary?

Mr. SIMMONS. Yes, sir.

Mr. TOWNSEND. At what salary?

Mr. SIMMONS. I can not give the salary.

Mr. DRAKE. A combined salary of \$8,500 for both offices.

Mr. TOWNSEND. What was the second vice-president and secretary's salary prior to Mr. Whaley's resignation?

Mr. DRAKE. \$8,500—the same as it is now.

Mr. TOWNSEND. So that now Mr. Drake is acting as vice-president and secretary, whereas he was formerly second vice-president and secretary; and receives \$8,500.

Mr. CROMWELL. He performs the duties now formerly devolving upon the first vice-president. The first vice-president received how much?

Mr. DRAKE. \$5,500 per year.

Mr. TOWNSEND. Mr. Simmons, can you tell me what duties the first vice-president performed prior to Mr. Whaley's resignation?

Mr. SIMMONS. Do you mean Mr. Whaley's duties when he was vice-president?

Mr. TOWNSEND. Yes.

Mr. SIMMONS. He represented the owners of the property over in Paris. He represented matters connected with the property here and the owners over there. He was our medium of communication.

Mr. DRAKE. He was at the head of the European department?

Mr. TOWNSEND. What were the duties of the second vice-president prior to Mr. Whaley's resignation?

Mr. SIMMONS. Well, his duties were here operating the road. He was the operating officer, and attended to the detail management of the office.

Mr. ESCH. Your charter specifies the duties of these officers?

Mr. CROMWELL. The by-laws do.

Mr. ESCH. Can we have a copy of the charter and the by-laws?

Mr. CROMWELL. Yes, sir.

Mr. ESCH. I would like to have those filed as exhibits.

The by-laws and charter of the Panama Railroad Company follow, and are marked "Exhibit 4a and 4b."

EXHIBIT 4b.

CHARTER AND AMENDED BY-LAWS OF THE PANAMA RAILROAD COMPANY.

AN ACT to incorporate the Panama Railroad Company, passed April 7, 1849.

The people of the State of New York, represented in senate and assembly, do enact as follows:

SECTION 1. William H. Aspinwall, John L. Stephens, Henry Chauncey, James Brown, Cornelius W. Lawrence, Gouverneur Kemble, Thomas W. Ludlow, David Thompson, Joseph B. Varnum, Samuel S. Howland, Prosper M. Wetmore, Edwin

Bartlett, Horatio Allen, and their associates, successors, and assigns, are hereby constituted a body corporate, by the name of the "Panama Railroad Company," for the purpose of constructing and maintaining a railroad, with one or more tracks, and all convenient buildings, fixtures, machinery, and appurtenances, across the Isthmus of Panama, in the Republic of New Granada, under the grant made by the said Republic to the said William H. Aspinwall, John L. Stephens, and Henry Chauncey, and of purchasing and navigating such steam or sailing vessels as may be proper and convenient to be used in connection with the said road; and for such purposes all the necessary and incidental power is hereby granted to the said corporation.

SEC. 2. The capital stock of the said corporation shall be fixed by the directors at a sum not less than one million of dollars, with liberty to increase the same at any time to a sum not exceeding five millions of dollars. Said stock shall be divided into shares of one hundred dollars each, and shall be deemed personal property, transferable in such manner as the by-laws of the said corporation shall direct. The said corporation may commence operations when five hundred thousand dollars shall have been subscribed, and twenty per cent on each share subscribed for, paid in. The said William H. Aspinwall, John L. Stephens, and Henry Chauncey shall be commissioners to receive subscriptions for the said capital stock, and if the whole capital stock shall not be subscribed at the time first appointed, other subscriptions may be at any time received, until the whole amount shall be subscribed, at such times and under such rules and regulations as they shall prescribe.

SEC. 3. The concerns of the said corporation shall be managed by thirteen directors, who shall be stockholders, and who (except the first directors hereby appointed) shall hold their offices for one year, and until others are chosen in their places. The persons named in the first section of this act shall be the first directors, and shall hold their offices until the first Monday of April, in the year one thousand eight hundred and fifty-one, and until others are chosen in their places. The directors, except for the first two years, shall be annually chosen at such time and place in the city of New York, and on such notice as shall be directed by the by-laws of the said corporation. In all meetings of the stockholders each share shall entitle the holder to one vote, to be given in person or by proxy. In case it should at any time happen that an election of directors shall not be made on the day appointed by the by-laws of the said corporation, the said corporation shall not for that cause be deemed to be dissolved, but such election shall be held on any other day which shall be appointed by the directors of said association.

SEC. 4. The directors (of whom five shall constitute a quorum for the transaction of business) shall appoint one of their number to be president, and may appoint such other officers and agents as they shall deem necessary, and they may make and establish such by-laws, rules, and regulations as they shall think proper and expedient, touching the disposition and management of the property, estate, and effects of the said corporation; the transfer of shares, the duties and conduct of their officers and servants, the election and meeting of the directors, and all matters whatsoever which may appertain to the concerns of said corporation. When any vacancy shall happen among the directors, it may be filled by the remaining directors; and the directors may remove all officers appointed by them, and appoint others in their place, and fill all vacancies in the offices.

SEC. 5. The directors may require payments of subscriptions to the stock at such times and in such proportions as they may deem proper, under the penalty of forfeiting all stock and previous payments made thereon, and may sue for and recover all such subscriptions. Notice of the time and place of such payments shall be published for four weeks previous to such time, at least once in each week, in two newspapers published in the city of New York.

SEC. 6. The said corporation may have a common seal, and the same may alter or renew at pleasure; and all contracts made may be either verbal or under the signature of the president, secretary, or other officer or agent of the said corporation, and with or without the corporate seal.

SEC. 7. It shall be lawful for the said corporation to contract with the said William H. Aspinwall, John L. Stephens, and Henry Chauncey for the purchase of all the rights, privileges, and immunities granted to them by the said Republic of New Granada, and for the purchase of the lands granted to them by the said Republic, and to receive a conveyance of and hold the same in like manner as the said William H. Aspinwall, John L. Stephens, and Henry Chauncey now do or can do; and to lease, or sell and convey any of such lands which the said corporation shall not deem it necessary to retain, and to build and construct all such buildings, piers, docks, basins, and harbors on the said lands as the said

corporation may deem expedient, in like manner as the said William H. Aspinwall, John L. Stephens, and Henry Chauncey can do under the said grant.

SEC. 8. The said corporation may borrow from time to time such sum or sums of money as may be necessary to complete said road, and for the other purposes authorized by this act, in the whole not exceeding the amount of the capital stock actually paid in, and may issue and dispose of their bonds for any amount so borrowed; and are hereby authorized to mortgage any part of their corporate property and privileges to secure the payment of such bonds; and the said directors may confer on the holder of any bond they may issue, for any money so borrowed, the right to convert the principal due thereon into stock of the said corporation at any time not exceeding five years from the date of said bond, under such regulations as the directors may see fit to adopt, and for such purpose the said corporation are authorized to increase its capital stock to the amount so borrowed, whenever the persons, or any of them, to whom such money is due shall elect to convert the same into stock; but nothing herein contained shall be construed to authorize an increase of the capital stock of said company beyond the sum of five millions of dollars.

SEC. 9. Each and every stockholder shall be individually liable to the creditors of said corporation for all debts that may be due and owing by said corporation to their laborers and servants for services performed, and for all other debts and liabilities of the said corporation, to an amount equal to the amount of stock held by him, until he shall have paid in full the amount of such stock so held. But no stockholder shall be personally liable for the payment of any debt contracted by the said corporation which is not to be paid within one year from the time the debt is contracted, nor unless a suit for the collection of such debt shall be brought against said corporation within one year after the debt shall become due; and no suit shall be brought against any stockholder in said corporation for any debt so contracted, unless the same shall be commenced within two years from the time he shall have ceased to be a stockholder in said corporation, nor until an execution against the corporation shall have been returned unsatisfied in whole or in part. No person holding stock in said company as executor, administrator, guardian, or trustee, and no person holding such stock as collateral security, shall be personally subject to any liability as a stockholder of said company, but the person pledging such stock shall be considered as holding the same, and shall be liable as a stockholder accordingly, and the estate and funds in the hands of such executor, administrator, guardian, or trustee shall be liable in like manner and to the same extent as the testator, or intestate, or the ward, or person interested in such fund, would have been if he had been living and competent to act, and held the stock in his own name. Every such executor, administrator, guardian, or trustee shall represent the shares of stock owned by him as such administrator, guardian, or trustee at all meetings of the company, and may vote as a stockholder, and every person pledging his stock as aforesaid may in like manner represent the same and vote accordingly.

SEC. 10. This act shall take effect immediately.

AN ACT to amend the act entitled "An act to incorporate the Panama Railroad Company," passed April 7, 1849, passed April 12, 1855.

The people of the State of New York, represented in senate and assembly, do enact as follows:

§ 1. It shall be lawful for the Panama Railroad Company to borrow, from time to time, in addition to the amount limited by the act to incorporate said company, passed April 7, 1849, such sum or sums of money as may be necessary to complete their road, and for the other purposes authorized by said act; to issue and dispose of their bonds for the reimbursement of any amount to be borrowed, or which may have been borrowed by them, and to mortgage any part of their corporate property and privileges, to secure the payment of said bonds; and they may confer upon the holder of any bond which they may so issue the right to convert the principal represented thereby into the stock of said corporation, at any time not exceeding five years from the date of said bond, under such regulations as the directors may see fit to adopt, whenever any person or persons holding any such bond shall elect to convert the same into stock; and for such purpose the said incorporation are hereby authorized to increase their capital stock from time to time; so, however, that the whole capital of said company shall not exceed the sum of seven millions of dollars, anything in said act to the contrary notwithstanding.

§ 2. This act shall take effect immediately.

EXHIBIT 4a.

AMENDED BY-LAWS OF THE PANAMA RAIL ROAD COMPANY.

AMENDED BY-LAWS.

ARTICLE I.

The election for directors of this company shall be held at the office of the company, in the city of New York, on the first Monday of April in each year.

Three stockholders shall be chosen by the board, at a preceding meeting, to act as inspectors. The polls shall be opened at noon, and continue open until two o'clock in the afternoon.

The board of directors shall consist of thirteen stockholders, five of whom, if the president or vice-president be one, shall constitute a quorum for the transaction of business at the meetings of the board.

ARTICLE II.

The officers of this company shall consist of a president, a vice-president, a secretary, an assistant secretary, and a treasurer, the three latter to hold office at the pleasure of the board. The offices of vice-president and secretary may be filled by one person.

The president and vice-president shall always be members of the board of directors, and the said officers shall be elected by the board annually, within eight days after the election of the directors. The vote shall be by ballot, and a majority of all the members of the board shall be necessary to a choice.

In addition to the officers before named, the board may from time to time appoint a general manager and such additional officers, engineers, and agents as the business of the company may require.

The salaries of the several officers, engineers, or agents shall be fixed by the board, and no extra allowance or compensation shall be made except with the approbation of the board.

In case of any failure to hold any election for officers, those in office shall hold their places and be legally qualified to act until an election shall be held.

ARTICLE III.

The duties of the president shall be to preside at the meetings and to exercise a general supervision over the affairs of the company. He shall have power to call meetings of the directors at such time or times as he shall think proper, and it shall be his duty to call such meetings upon the written requisition of two or more of the directors stating the object for which they wish such meetings convened.

The vice-president shall, in the absence of the president, exercise all the powers and functions which may in any way be delegated to the president.

ARTICLE IV.

It shall be the duty of the secretary to be present at the meetings of the board, to keep a record of all its proceedings, and to enter the same in the minute book; to send notices to the directors of all meetings which are to be held, and attend to such other duties as may be directed by the president or the vice-president.

The assistant secretary shall, in the absence of the secretary, exercise all the powers and functions which may in any way be delegated to the secretary.

ARTICLE V.

It shall be the duty of the treasurer to receive and disburse under the direction of the board, all moneys belonging to the company, and to keep regular and systematic accounts of all such receipts and disbursements, and to make detailed reports of such receipts and disbursements to the directors at each stated meeting of the board. He shall cause to be deposited all moneys received by him for or on account of the company in such bank or banks as the board may select, or to make such disposition of the funds as the board of directors or the finance

committee may direct; and all deposits in banks shall be entered in a book in the usual way to the credit of the company.

All checks and orders upon the funds of the company shall be drawn on the bank or institution in which the money of the company may be deposited, and such checks and orders shall be signed by the president, or vice-president, and the treasurer; or by the president, or vice-president, and a director to be appointed by the board; or, in the absence of the president and vice-president, by the treasurer and a director to be appointed by the board; and be drawn to the order of the party to whom the payment is made.

However, in cases of payment for wages due persons in the employ of the company, the checks drawn upon a special deposit in bank, called the Isthmus Draft Account, shall be signed by either one of the following persons: The president, the vice-president, the treasurer, or a director designated by the board.

The treasurer shall register all transfers of stocks, and for this purpose he shall keep the account of the stock registered and transferred in such form and manner and under such regulations as the board of directors may from time to time prescribe, and it shall be his duty to examine and audit accounts, and to attend to such other duties as may be designated by the president or vice-president.

The treasurer shall also keep the dividend books and record of bonds, attend to the payment of dividends and interest money.

ARTICLE VI.

It shall be the duty of the general manager to have charge of and to manage, under the direction of the president or vice-president, the practical operations of the rail road and steamship lines and transportation interests of the company.

ARTICLE VII.

All transfers of stock shall be made in the usual form, by the stockholders signing, in proper person or by attorney, in a book to be prepared and kept by the treasurer for that purpose a declaration of sale or transfer, setting forth the number of shares transferred, the person to whom, and the time when, the same are so transferred; and at the time of such transfer the old certificates of the shares so transferred shall in all cases be surrendered and canceled and a new certificate shall be issued in lieu thereof.

All certificates issued shall be signed by the president, or the vice-president, and the secretary.

ARTICLE VIII.

There shall be a stated monthly meeting of the board of directors on the second and fourth Thursday of each month.

A full and complete statement of the affairs of the company shall be submitted to the board of directors at any regular or special meeting held in the month of March, showing the result of the operations of the company for the preceding fiscal year ending December 31st.

Dividends may be declared at any meeting of the board of directors, stated or otherwise, payable at such times as the board may appoint.

ARTICLE IX.

There shall be a standing committee, to be denominated the executive and finance committee, to be composed of the president, vice-president, and four members of the board, appointed quarterly by the president, whose duty it shall be to attend to the general management of the finances and the current business of the company during the intervals between the stated meetings of the board. The said committee shall have all the powers and exercise all the functions of the board of directors, provided always that it does not transcend the specified regulations and instructions of the board previously adopted. And the said committee shall report at each stated meeting of the board a full and explicit account of its proceedings and transactions during the month, a record of which shall be kept in proper books to be provided for that purpose. Meetings shall be held twice a week, and three members of said committee shall constitute a quorum for the transaction of business.

ARTICLE X.

All books and papers of the company shall be at all times open to the inspection of the board, or any member thereof.

ARTICLE XI.

The order of proceedings at the meetings of the board shall be :

- 1st. Reading of the minutes.
- 2d. Reports of the standing committee.
- 3d. Reports of select committees.
- 4th. Miscellaneous business.

ARTICLE XII.

These by-laws may be amended at any meeting of the board, provided such amendment shall have been previously handed to the president in writing, and that a majority of all the members of the board consent thereto.

MR. TOWNSEND. When Mr. Drake assumed the duties of first vice-president and secretary did he represent the Paris end of the matter, the same as Mr. Whaley had done before?

MR. SIMMONS. We had no Paris end of the matter then. Mr. Whaley resigned after the property had been conveyed to the United States.

MR. CROMWELL. He had full charge of our steamship interests in Europe, as head of the European department, adjusting tariffs with the foreign lines, collecting balances, settling controversies, advising upon practical questions of operation and policy, and giving the benefit of his great experience as a railroad manager. He is a distinguished railroad engineer and manager, having been general manager of the Western Railroad of France and a consulting engineer on many great works. He more than earned his salary.

MR. TOWNSEND. So Mr. Drake assumed the duties of first vice-president and those he had been performing before?

MR. SIMMONS. Yes, sir.

MR. TOWNSEND. I show you this paper, Mr. President, and ask you if that is a correct statement of the officers connected with the Panama Railroad at Panama [handing a paper to Mr. Simmons]?

MR. SIMMONS. To the best of my knowledge and belief, they are; yes.

MR. DRAKE. Those are the officers?

MR. TOWNSEND. Do you identify these [handing pamphlet to Mr. Simmons] as the by-laws and the copy of the charter?

MR. SIMMONS. Yes, sir.

MR. TOWNSEND. Those may be marked "Exhibit 4a" and "Exhibit 4b."

Now you stated that Mr. Shaler had resigned as general superintendent of the road at the Isthmus. When did he resign?

MR. DRAKE. The first of February; with leave of absence to the end of the fiscal year, April 3.

MR. TOWNSEND. Please give the cause of his resignation.

MR. SIMMONS. One cause was the illness of his wife.

MR. TOWNSEND. Was his resignation also voluntary?

MR. SIMMONS. It was.

MR. TOWNSEND. He had not been requested to resign by the company?

MR. SIMMONS. No, sir; on the contrary, for two years his resigna-

tion had been in the hands of the officers to be accepted at any time. He was anxious to get away.

Mr. TOWNSEND. Who succeeded him as general superintendent?

Mr. SIMMONS. H. K. Prescott.

Mr. CROMWELL. He was assistant general superintendent, and became acting general superintendent.

Mr. SIMMONS. We have not filled that vacancy. He is performing the duties of general superintendent; he has not been appointed general superintendent.

Mr. TOWNSEND. Now, are you prepared to testify in regard to the financial condition of the road, Mr. Simmons?

Mr. SIMMONS. In a general way. I can not go into the details, you know.

Mr. TOWNSEND. In your report of December 31, 1903, you refer to "The sinking fund 6 per cent subsidy bond," original issue of \$3,000,000? What was the issue for; what were they issued for in the first place?

Mr. SIMMONS. That was long before I came into the company.

Mr. TOWNSEND. If you are not familiar——

Mr. CROMWELL. It is in the annual reports.

Mr. TOWNSEND. You can not tell when those bonds went out?

Mr. CROMWELL. In 1880.

Mr. TOWNSEND. Do you know what they were issued for?

Mr. SIMMONS. No; I did know, but I do not recall just now.

Mr. TOWNSEND. How much of the stock of the Panama Railroad Company is owned by parties outside of the United States?

Mr. SIMMONS. I think about a thousand shares; in that neighborhood.

Mr. TOWNSEND. Have you a record of the owners of those shares?

Mr. SIMMONS. We have a record of those who are stockholders, but it does not signify that because a man is reported here as a holder of stock that he is an owner.

Mr. TOWNSEND. And that record, to the best of your knowledge and belief, represents the holders of that stock, so far as you know?

Mr. SIMMONS. Oh, yes. Here is the list of the present stockholders [handing list to Mr. Townsend].

Mr. TOWNSEND. That is a list of what date?

Mr. CROMWELL. That is the list of the stockholders of the company as they stand to-day.

The CHAIRMAN. Have you another copy of that?

Mr. CROMWELL. That copy is for you.

Mr. TOWNSEND. I would ask you, Mr. President, to look that over and see if that is a correct list of the stockholders of the Panama Railroad Company, as shown by your books on January 31, 1905.

Mr. SIMMONS. To the best of my knowledge and belief that is a correct list.

The stock list is as follows:

EXHIBIT 5.

List of stockholders of the Panama Railroad Company.

Names.	Addresses.	Number of shares.	
Brown, Vernon H	29 Broadway, New York	1	
Buchanan, J. G.	27 Pine street, New York	1	
Burr, William H	Isthmian Canal Commission, Washington, D. C.	1	
Cromwell, Wm. Nelson	49 Wall street, New York	30	
Cahen, Rudolph T., Marquis de Torre Alfina.	Care of L. von Hoffman & Co., 56 Wall street, New York.	10	
Cahen, Ugo			
Coudert, Chas (deceased)	71 Broadway, New York	1	
Comstock, C. B.	124 East 27th street, New York	1	
Davis, Geo. W.	Washington, D. C.	1	
Drake, E. A.	24 State street, New York	1	
de Lesser, A. L. F. B. C.	Care of Mallet Freres, 37 Rue d'Anjou, Paris, France.	23	
de Lesser, A. R. A. C.			23
d'Espeyran, Felix Guillaume Sabatier.			28
d'Espeyran, Mme. L. C. C. le Barrois d'Orgeval Sabatier.	7 Rond Point des Champs Elysees, Paris, France	24	
Dinsmore, W. B.	59 Broadway, New York	1	
d'Anvers, Loulia Cahen	Care of L. von Hoffman & Co., 56 Wall street, New York.	20	
d'Anvers, Louis Cahen	do	20	
Einsiedler, Chas.	37 William street, New York	1	
Escott, Rev. Edward Sweet; Cox, Henry Fisher.	The Red Cottage, Lyme Regis, England	37	
Felton, Samuel M.	Railway Exchange Building, Chicago, Ill.	1	
Garr, George (deceased)	14 West 45th street, New York	1	
Gallaway, Robert M.	42 Wall street, New York	1	
Gebhard, Wm. H.	Care of C. H. Bachem, 44 Broadway, New York	10	
Gordon, James R.	Care of Czarnikow, MacDougall & Co., 112 Wall street, New York.	70	
Grunsky, Carl Ewald	Isthmian Canal Commission, Washington, D. C.	1	
Haines, Augustus Montague	Care of Kennedy, Tod & Co., 45 Wall street, New York.	18	
Harrod, Benj. M.	Washington, D. C.	1	
Hecker, Frank J.	do	1	
Hopkins, A. Lawrence	Williamstown, Mass.	1	
Hudson, Woodward	Care of Boston and Albany R. R., Boston, Mass.	5	
Hurtado, Jose Marcelino	149 Via Torino, care of Hurtado & Co., Rome, Italy.	2	
James, Angelina Henrietta	99 Grove Lane, Denmark Hill, London, England	59	
Jennings, F. B.	15 Broad street, New York	3	
Leverich, Fannie F. J.	48 Wall street, New York, care of C. D. Leverich & Bro.	13	
Mackay, Mary C.	Care A. K. Mackay & Co., 6 Wall street, New York.	5	
Manning, Mary	Care of J. B. Manning, 2 Wall street, New York.	10	
Manning, John B.	2 Wall street, New York	234	
Maddock, Henry	158 South Oxford street, Brooklyn, N. Y.	1	
Mills, D. O.	15 Broad street, New York	1	
Motley, J. M.	68 Broad street, New York	5	
Montefiore, Edouard Levi	36 Avenue Henri Martin, Paris, France	18	
Murray, Williama	Care of Czarnikow, MacDougall & Co., 112 Wall street, New York.	15	
McCullough, John G.	21 Cortlandt street, New York	3	
Newton, Anna M.	Stonleigh Court, Washington, D. C.	1	
Oppenheim, Ernest L.	Johnston Building, New York	32	
Oppenheim, E. L., & Co.	do	129	
Park, T. L.	345 Broadway, New York	3	
Parker, J. H.	Cotton Exchange Building, New York	1	
Parsons, Wm. Barclay	Isthmian Canal Commission, Washington, D. C.	1	
Palmedo, U.	Care of L. Von Hoffman & Co., 56 Wall street, New York.	10	
Pegler, Stephen Francis, and Francis Phipard, Harvey Fisk	Amscott House, East Retford, England	84	
Phipard, Wm. George	Care of H. F. Phipard, Singer Manufacturing Company, 149 Broadway, New York.	2	
Phipard, Clarence Lester			
Raphael, Lewis	Care of Kennedy, Todd & Co., 45 Wall street, New York.	14	
Savile, John Henry, and John Mander, executors estate Anne Raphael.	do	14	
Simmons, J. Edward	14 Nassau street, New York	1	
Taft, Wm. H., Secretary of War	Washington, D. C.	68,887	
Von Hoffman, L., & Co.	56 Wall street, New York	10	
Walker, J. G., chairman Isthmian Canal Commission.	Isthmian Canal Commission, Washington, D. C.	94	
Whaley, George	7 Rue Louis le Grand, Paris, France	1	
J. G. Walker	Isthmian Canal Commission, Washington, D. C.	1	
Total		70,000	

Mr. DRAKE. By the terms of the by-laws the treasurer has charge of the stock list.

Mr. CROMWELL. It is a perfect list from the records.

Mr. TOWNSEND. Have you a stock ledger which shows the transfers of your stock?

Mr. SIMMONS. Yes.

Mr. TOWNSEND. I would like to look at that, if you please.

Mr. SIMMONS. We have everything here you may want.

Mr. CROMWELL. We have the stock books for fifty years back; every transfer is there.

Mr. SIMMONS. Do you ask for the stock ledger?

Mr. TOWNSEND. Yes.

Mr. SIMMONS. I will give it to you.

Mr. DRAKE. Mr. Deming, will you show the stock ledger?

The CHAIRMAN. May I ask who is Mr. Deming?

Mr. DRAKE. Mr. Deming is the treasurer of the company. I will mention to the committee that article 4 of the by-laws provides that the treasurer shall have charge of the stock ledger.

Mr. TOWNSEND. Then Mr. Deming may be sworn.

STATEMENT OF SYLVESTER DEMING, TREASURER OF THE PANAMA RAILROAD COMPANY.

Sworn by the chairman.

Mr. TOWNSEND. What is your full name?

Mr. DEMING. Sylvester Deming. I have been treasurer of the Panama Railroad Company for eight years, and as such have charge of the stock and of the stock transfer books, which I now produce. The stock list dated January 31, 1905, is correct.

The CHAIRMAN. You mean the list heretofore presented?

Mr. DEMING. It is correct, and was prepared by me.

Mr. TOWNSEND. I will ask you, Mr. President, to turn to your stock ledger and tell me when Mr. Frank J. Hecker became a stockholder in this company.

Mr. CROMWELL. Do you not wish Mr. Deming to answer that?

Mr. TOWNSEND. If the president is not familiar.

Mr. DEMING. Frank J. Hecker had one share of stock transferred to his name October 25, 1904.

Mr. TOWNSEND. From whom was it transferred?

Mr. DEMING. I will have to go deeper into it for that, sir.

Mr. CROMWELL. Just refer to the record; I think I qualified him first out of my own shares.

Mr. DEMING. Mr. Hecker's stock was transferred to him by Mr. Cromwell on the 25th of October, 1904.

Mr. TOWNSEND. Does Mr. Hecker still own that share of stock?

Mr. DEMING. It still stands in his name; yes, sir.

Mr. TOWNSEND. Do you know whether he purchased that share of stock himself or not?

Mr. DEMING. I have no means of knowing that.

Mr. TOWNSEND. Do you know about that, Mr. President?

Mr. SIMMONS. No; I do not.

The CHAIRMAN. Mr. Cromwell knows, I think.

Mr. CROMWELL. I can tell you.

The CHAIRMAN. Can you answer, Mr. Cromwell, as to whether Mr. Hecker purchased this stock and from whom?

Mr. CROMWELL. He did not purchase it. As counsel of the company I temporarily qualified him as a director with a share of my own.

The CHAIRMAN. What do you mean by "temporarily?"

Mr. CROMWELL. I transferred it into his name so that he became the owner in law. Afterwards it was returned to me by the chairman of the Commission out of the Government's shares.

The CHAIRMAN. He is not the owner now?

Mr. CROMWELL. That one share of stock was transferred by me to Mr. Hecker, and he remained owner in law of that share. Admiral Walker later transferred one share of stock to me in reimbursement.

The CHAIRMAN. You are, in fact, the owner of that share of stock?

Mr. CROMWELL. Not of that identical share, for that remained in his name. To qualify Mr. Hecker as director, and for the convenience of the United States Government and to facilitate the affair, I transferred to Mr. Hecker one share of my stock, as I had done on other occasions for other directors, and later the Isthmian Canal Commission replaced the share which I thus had transferred to Mr. Hecker by giving me one share of their own, which share replaced the one I had transferred to Mr. Hecker.

Mr. TOWNSEND. So there was no money paid for the transfer of the share of stock which was transferred originally to Mr. Hecker?

Mr. CROMWELL. No, sir.

Mr. TOWNSEND. The Isthmian Canal Commission had the stock, and transferred one share to you in place of the one you transferred to him?

Mr. CROMWELL. Yes, sir; purely a transaction of convenience.

Mr. TOWNSEND. Was every commissioner treated in the same way?

Mr. CROMWELL. They were. I qualified each of the commissioners with my own shares. Later the Commission restored to me an equal number from the United States shares.

Mr. TOWNSEND. Did any of the commissioners own more than one share?

Mr. CROMWELL. No, sir.

Mr. DEMING. Our records show that each of the commissioners held one share; and in addition to that Admiral Walker holds, as chairman of the Commission, 94 shares of the stock.

Mr. TOWNSEND. Where did Admiral Walker get those shares?

Mr. DEMING. Purchased the stock here in New York.

Mr. TOWNSEND. Can you tell of whom?

Mr. DEMING. Of Mr. E. D. Murphy, a broker on Wall street.

Mr. DRAKE. The transfer books so show and we know it of our own knowledge.

Mr. TOWNSEND. Can you tell when he purchased those shares?

Mr. SIMMONS. We can tell when they were transferred on the books.

Mr. DEMING. They were transferred on the 21st of October, 1904, and the payment therefor was made at the same time. I know this, because the check of the assistant treasurer of the Commission passed through my hands.

Mr. TOWNSEND. So you know that was the date?

Mr. DEMING. That was the date of the payment for the stock.

Mr. TOWNSEND. The payment passed through your hands, you say? How much was it?

Mr. DEMING. Ten thousand dollars, for 100 shares at par.

Mr. TOWNSEND. That is what he paid for them?

Mr. DEMING. That was paid by the Commission.

Mr. CROMWELL. Purchased for the Commission?

Mr. SIMMONS. In the name of Admiral Walker as chairman.

Mr. DEMING. Paid by the treasurer of the Commission.

Mr. TOWNSEND. Did you say that they were transferred to Admiral Walker as chairman of the Commission?

Mr. DEMING. Yes, sir; 100 shares were transferred to the chairman of the Isthmian Canal Commission.

Mr. CROMWELL. And then six of these shares were transferred by him, one each to the other members of the Commission, and the remaining 94 shares continued in his name as chairman of the Commission. That is all there is of that. These are the 100 shares referred to in the report of Secretary Taft as having been purchased by the Government?

Mr. DRAKE. I have here on that subject a telegram from Admiral Walker to me, saying:

Will you pay \$10,000 upon delivery to you of 100 shares of Panama Railroad stock purchased by the Commission, and place same in my name. I will reimburse you as soon as proper vouchers can be prepared.

J. G. WALKER, *Chairman.*

And this is Admiral Walker's letter of October 19:

Referring to my telegram of to-day the treasurer of the Commission has not arrived at the office, and therefore I asked you if you will pay for the shares for the United States. Later the treasurer came in, and I arranged with him to make the payment.

I inclose vouchers covering this purchase, made out in the name of E. D. Murphy, 51 Wall street, who agrees to sell the stock. The vouchers must be receipted by him. If the stock is not in his name it must be transferred to him, and by him transferred to me as chairman of the Canal Commission, as the money must be paid to the actual owner of the stock.

I also inclose a check for \$10,000 on the assistant treasurer of the United States in New York, payable to Mr. Murphy's order, which you are authorized to give him in payment of the stock, conditioned as above.

I shall notify Mr. Murphy at once that you will make payment when the stock is transferred to me.

Thanking you very much for your willingness to pay the money yourself, but as it now seems unnecessary, I am taking a different course.

Very truly, yours,

J. G. WALKER,
Chairman of the Committee.

Mr. TOWNSEND. Now, Mr. Deming, I will call your attention to page 169 of your stock ledger, and ask you to read the items there in connection, first, with "J. G. Walker account, chairman of the Isthmian Canal Commission," so we may have that in the record.

Mr. DEMING. Shall I give the answer?

Mr. TOWNSEND. Yes, sir.

Mr. DEMING. The following is the transcript of the stock ledger: J. G. Walker had transferred to his name, individually, on the 13th of July, 1904, one share of stock by William Nelson Cromwell. That still stands in his name; there never has been any change in that item. J. G. Walker, as chairman of the Isthmian Canal Commission, had transferred to his name as chairman on the 20th of October, 1904, by

E. D. Murphy. 100 shares. From that stock on the 26th of October, 1904, he transferred, as chairman, 93 shares to J. G. Walker as chairman; to William Nelson Cromwell 7 shares. On the 19th December, 1904, there was transferred to J. G. Walker, chairman of the Isthmian Canal Commission, by Robert Cheesebrough, 1 share, leaving 94 shares standing in the name of Admiral Walker as chairman of the Isthmian Canal Commission.

Mr. TOWNSEND. Can you tell why he transferred seven shares to Mr. Cromwell?

Mr. DEMING. To return to him its seven shares that had been transferred by Mr. Cromwell, at various times, to members of the Commission, so that they might qualify as directors. This was the explanation given at the time, as I understand it.

Mr. TOWNSEND. Then there are 94 shares that stand at the present time in the name of Mr. Walker, chairman of the Isthmian Canal Commission?

Mr. DEMING. Yes, sir.

Mr. TOWNSEND. And each of the other commissioners hold the original one share that was transferred to him?

Mr. DEMING. Yes, sir.

Mr. CROMWELL. Seven shares plus the 94 make up the 101 shares which the United States Government has bought since the purchase from the New Panama Canal Company.

Mr. TOWNSEND. How many shares has the United States Government purchased of this railroad company's stock since the original purchase?

Mr. DEMING. One hundred and one shares; that is, they were purchased by the Isthmian Canal Commission.

Mr. TOWNSEND. And they stand in the name of the Isthmian Canal Commission?

Mr. DEMING. The chairman of the Commission.

Mr. CROMWELL. Ninety-four in the name of the chairman of the Commission, and seven in the names of the several members of the Commission?

Mr. TOWNSEND. Are those all the shares purchased for the United States Government since the original purchase?

Mr. DEMING. All of the shares that have been transferred on the books.

Mr. TOWNSEND. Now, did this company, Mr. President, declare a dividend in 1902?

Mr. SIMMONS. The records will show you.

Mr. TOWNSEND. Can not you tell?

Mr. SIMMONS. Yes, we declared a dividend in 1902.

Mr. TOWNSEND. Of how much?

Mr. SIMMONS. Four per cent.

Mr. TOWNSEND. Did you declare a dividend in 1901?

Mr. SIMMONS. Yes, a dividend of 2 per cent.

Mr. TOWNSEND. And in 1900?

Mr. SIMMONS. No.

Mr. TOWNSEND. No dividend in 1900?

Mr. SIMMONS. No.

Mr. TOWNSEND. Did you declare a dividend in 1899?

Mr. SIMMONS. I can not remember without referring to the books. The books will tell.

Mr. DEMING. Can I answer that?

Mr. TOWNSEND. Yes.

Mr. DEMING. No dividends were declared between 1893 and 1901.

Mr. ESCH. Inclusive?

Mr. SIMMONS. From 1893 to 1900, inclusive. There was a dividend in 1901.

Mr. TOWNSEND. That was a dividend of 2 per cent in that year?

Mr. DEMING. Yes, sir.

Mr. TOWNSEND. Mr. Simmons, please answer the question. There was no dividend declared from 1893 to 1900, both inclusive?

Mr. SIMMONS. No, sir.

Mr. TOWNSEND. But your next dividend was in 1901, of 2 per cent.

Mr. SIMMONS. Yes, sir.

Mr. TOWNSEND. In 1902 it was 4 per cent?

Mr. SIMMONS. Yes, sir.

Mr. TOWNSEND. What did you declare as your dividend in 1903?

Mr. SIMMONS. Eight per cent.

Mr. ESCH. 1904 is now complete. You may add that.

Mr. TOWNSEND. How many payments were made of that dividend in 1903?

Mr. SIMMONS. The books will show.

Mr. DRAKE. The books will have to be obtained. Mr. Deming, will you get the books?

Mr. DEMING. May I correct my testimony to this extent: That we paid January 3, 1893, 2 per cent. I don't know whether that was declared in 1892 or not, but it was paid in 1893, January 3.

Mr. SIMMONS. Probably declared in 1892.

Mr. DRAKE. The minutes are exact. We have everything dated, signed, and certified.

Mr. TOWNSEND. I want to know the history of your dividend in 1903, as to how it was made.

Mr. SIMMONS. Eight per cent.

Mr. DEMING. April 3, 1903, 2 per cent; October 1, 1903, 2 per cent; January 1, 1904, 4 per cent—that was declared in 1903, but the actual payment, the actual sending out of the checks, was on the 3d of January, 1904.

Mr. TOWNSEND. Will you begin with the minutes on that, as to when you first declared the first dividend of 2 per cent in 1903?

Mr. SIMMONS. We paid two each of 2 per cent, and then the one of 4 per cent, making three dividends.

Mr. DRAKE. The minute books of the meeting of March 26, 1903, shows a resolution adopted by the executive committee of the board of directors as follows:

Resolved, That the recommendation of the executive committee, adopted at the meeting of March 13, that a further dividend of 2 per cent be declared out of the net earnings of the company for the year 1902 is approved and adopted: and, further, resolved that such dividend be made payable on April 3, 1903, for stockholders of record on April 1, the date of the closing of the books for the purpose of the annual election.

Mr. TOWNSEND. So that was a dividend out of the earnings of 1902?

Mr. DEMING. Yes; so declared.

Mr. DRAKE. At a meeting of the board of directors on the 24th of September, 1903, the following action was had:

Consideration was had of the action of the executive committee at its meeting of the 22d instant, recommending that a dividend of 2 per cent on the capital stock be declared, and the motion was duly seconded, and it was unanimously resolved, that a dividend of 2 per cent on the capital stock of this company be, and the same is hereby, declared payable on October 1, 1903, to the stockholders of record on September 28. For that purpose the books were closed on September 28, and reopened on October 3.

At a meeting of the board of directors held on September 10, 1903, reference was had to the recommendations of the executive committee adopted at its meeting of the 8th instant, viz:

That a dividend of 4 per cent upon the capital stock of the company be declared, and upon motion duly seconded the following resolution was unanimously adopted:

Resolved, That a dividend of 4 per cent on the capital stock of the company is hereby declared out of the net earnings of the company, payable January 1, 1904, for stockholders of record on December 28, 1903, and that for that purpose the books of the company were closed on December 28, 1903, and reopened on January 2, 1904.

Mr. TOWNSEND. Those dividends were paid, were they, Mr. President?

Mr. SIMMONS. They were.

Mr. TOWNSEND. From what fund were they paid?

Mr. SIMMONS. From the accumulated earnings of the company.

Mr. TOWNSEND. Did you have accumulated earnings sufficient for the payment of dividends from 1894 to 1900, inclusive?

Mr. SIMMONS. Oh, yes.

Mr. TOWNSEND. What was the reason no dividends were paid during those years?

Mr. SIMMONS. Well, the principal stockholders of the company did not want any dividends, and all preferred that the net earnings should be accumulated by the company.

Mr. TOWNSEND. Then they changed that policy in 1901, and concluded to declare a dividend?

Mr. SIMMONS. Yes; we thought we had accumulated enough to declare it; more than enough to spare.

Mr. TOWNSEND. Were the dividends of 1903 paid principally from the earnings between the dividend of 1902 and the time of the first dividend in 1903?

Mr. SIMMONS. No; I think our dividends were always declared from the accumulated earnings. We had a large accumulation of earnings.

Mr. TOWNSEND. What effect did that last dividend of 4 per cent, in 1903, have upon your accumulated earnings?

Mr. SIMMONS. It decreased the accumulated earnings just so much.

Mr. TOWNSEND. Did you have any accumulated earnings left after that?

Mr. SIMMONS. A large amount.

Mr. TOWNSEND. After the last payment?

Mr. SIMMONS. Yes.

Mr. TOWNSEND. Can you tell how much?

Mr. SIMMONS. When do you want to know? What dividend do you refer to?

Mr. TOWNSEND. I am referring to the dividends of 1903. There were practically but two dividends paid in 1903.

Mr. SIMMONS. In 1903 we had an accumulation of earnings of between four and five millions of dollars, out of which we paid the dividends.

The CHAIRMAN. Let me ask a question right there on that point. You talk about accumulated earnings. You had some bonds issued by the company a long time ago to make a lump payment in lieu of the annual payments that were going to the Government of Colombia, did you not?

Mr. SIMMONS. Yes, sir.

The CHAIRMAN. Was it not a part of the provision of the issuance of those bonds to set apart a sinking fund? When you speak of accumulated earnings do you speak of that?

Mr. SIMMONS. No.

Mr. DRAKE. Those bonds represent a rental charge under the concession.

Mr. TOWNSEND. How much was that surplus?

Mr. SIMMONS. Over four million dollars.

Mr. TOWNSEND. After the last dividend of 1903 was paid?

Mr. SIMMONS. Yes.

Mr. TOWNSEND. Have you declared dividends since that time?

Mr. SIMMONS. Yes.

Mr. TOWNSEND. When?

Mr. SIMMONS. The records will show.

Mr. DEMING. I can tell when it was paid, but I don't know when it was declared. May 3, 1904, we paid a dividend of 2½ per cent.

Mr. CROMWELL. The very last one was when?

Mr. DEMING. February 1, 1905, 5 per cent.

Mr. ESCH. In that connection what was the Government's share of the dividend?

Mr. SIMMONS. State the check that we gave.

Mr. DEMING. The check which I remitted to Mr. Taft, the Secretary of War, for dividend on 68,887 shares, was \$344,435; to J. G. Walker, as chairman of the Isthmian Canal Commission, for 94 shares, \$470, and to each member of the seven Commissioners \$5 (\$35), making \$344,940.

Mr. TOWNSEND. Do your books show the total expense for operating the New York City office for the year 1903?

Mr. SIMMONS. The books will show just what the expense was.

Mr. DRAKE. The expenses of the New York office for 1903 were \$83,607.

Mr. TOWNSEND. What items were included in that expense?

Mr. SIMMONS. Read the items.

Mr. DRAKE. All items of general expense, such as covered by book accounts, numbered from 80 to 90, inclusive. I will call them off: Account 80, advertising folders and posters; 81, general advertising; 82, salaries of clerks; 83, directors and committee's fees; 84, repairs and rent of general offices; 85, other general office expenses; 86, exchange; 87, legal services and expenses; 88, salaries of officers; 89, stationery and printing; 90, telegrams and cables.

Mr. TOWNSEND. Item No. 84, for repairs and rent of the general offices, how much was that item in the year 1903?

Mr. DRAKE. \$3,600.

Mr. TOWNSEND. You don't know about that, Mr. President?

Mr. SIMMONS. No, I do not.

Mr. TOWNSEND. Now, Mr. Drake, what was the amount of item "No. 85, other general office expenses?"

Mr. DRAKE. \$2,415.

Mr. TOWNSEND. What did that include?

The CHAIRMAN. Before you go into the books, I would like to ask two or three questions. You say in your report of 1903 by the board of directors to the stockholders, on page 17, "balance to the credit of profit-and-loss account, \$4,991,929.91." What is that item?

Mr. SIMMONS. That is accumulated earnings, profits that we had made.

The CHAIRMAN. Over and above—

Mr. SIMMONS. Over and above dividends; it is the surplus profits.

The CHAIRMAN. Over and above what you are required to set aside for a sinking fund and payment of interest?

Mr. SIMMONS. Profits above everything, subject to division among the stockholders in the shape of dividends.

Mr. CROMWELL. Accumulated mostly during the period from 1893 to 1901, when no dividends were declared?

The CHAIRMAN. There was, then, during all those years, a fund available for distribution as dividends? That is what I wanted to get at.

Mr. CROMWELL. Here is a statement prepared by the treasurer showing the gross earnings, the expenses, and the net profits for the years 1896-1904; also a statement showing balances to credit of profit-and-loss account for same period.

The CHAIRMAN. Can you give them to me?

Mr. CROMWELL. Yes, sir.

The CHAIRMAN. We will put them in as Exhibits No. 6 and 6d.

EXHIBIT 6.

Statement of gross earnings, expenditures, and net earnings.

	Gross earnings.	Expenses.	Net earnings.
1896.....	\$2,271,141.51	\$1,725,456.98	\$545,684.53
1897.....	2,300,705.25	1,890,831.88	409,873.37
1898.....	2,142,881.17	1,876,134.44	266,746.73
1899.....	2,195,041.96	1,899,810.19	295,231.77
1900.....	2,655,194.71	2,208,430.03	446,764.68
1901.....	3,196,708.97	2,937,118.85	259,590.12
1902.....	2,762,815.63	2,467,431.23	295,384.40
1903.....	2,664,051.29	2,262,982.99	401,068.30
1904 (11 months).....	2,861,353.67	2,300,037.72	561,315.95

EXHIBIT 6.

Statement showing balances to credit of profit and loss account.

Date.	Amount.	Date.	Amount.
December 31, 1896.....	\$587,465.79	December 31, 1901.....	\$4,110,345.00
December 31, 1897.....	2,713,920.70	December 31, 1902.....	4,201,587.09
December 31, 1898.....	2,971,448.51	December 31, 1903.....	4,191,929.91
December 31, 1899.....	3,390,398.94	November 30, 1904.....	^a 4,578,245.86
December 31, 1900.....	3,867,831.69		

^a Figures for 1904 are only for eleven months, and are arrived at by adding net profit for that period. It is impossible to give figures for year until completed returns come in from isthmus.

Mr. CROMWELL. It shows that although in some of those years the company did not pay dividends there were large earnings accumulated.

The CHAIRMAN. When was the last time this company has issued any bonds?

Mr. CROMWELL. The company issued its 4½ per cent mortgage bonds on August 16, 1897.

The CHAIRMAN. How many?

Mr. CROMWELL. The authorized issue was \$4,000,000.

The CHAIRMAN. How many of those in fact issued and placed? Has the company issued any bonds since that time?

Mr. CROMWELL. They were all issued under the mortgage, but the company has redeemed \$981,000 and also owns in the treasury of the company to-day \$647,000—leaving in the hands of the public only \$2,372,000.

The CHAIRMAN. How much of the proceeds arising from the sale of those bonds is involved in this balance credited to profit and loss?

Mr. CROMWELL. None whatever.

The CHAIRMAN. Can you tell at this time why it was that bonds were issued when you had an available fund like this to your credit?

Mr. CROMWELL. For this reason: There was, in 1897, an issue of bonds called the "7 per cent sterling mortgage issue," which were maturing in that year. The balance upon this issue was \$2,612,338. The new 4½ per cent first mortgage of 1897 was issued for the purpose of retiring this balance of these sterling mortgage bonds and of providing the company with sufficient moneys to complete the La Boca pier and basins, construction and reconstruction of steamships, then under way, and divers other permanent improvements. The proceeds of the new 4½ per cent first-mortgage bonds were applied toward the redemption of the sterling mortgage bonds, and the company applied out of its accumulated earnings \$705,000 cash. Thus the sterling mortgage issue was paid off.

The remainder (\$2,000,000) of these 4½ per cent first-mortgage bonds were issued under the mortgage to pay balance due for construction of the La Boca pier and basin (over \$1,000,000) and for other improvements of the company. As I have said, the company has redeemed \$981,000, and has now in its hands \$647,000, leaving in the hands of the public \$2,372,000.

The CHAIRMAN. Have there been any bonds issued since that time?

Mr. CROMWELL. There were sold out of the treasury bonds \$265,000 in October, 1904, at a premium, viz, at 104½ per cent and interest.

The CHAIRMAN. In 1904 you had some repairs made to the ships that belong to the company?

Mr. CROMWELL. The statement I have just made respecting the outstanding issue of first-mortgage bonds is of this date. We then owned \$913,000 of these bonds in the treasury of this company. These bonds were issued under the mortgage dated August 16, 1897, which provided that they should be issued for the purpose of completing terminals, buildings, buying and reconstructing ships, and all other necessary improvements. Of course none of the bonds of the company have been issued for any current operating expenses. The bonds have only been issued to retire the sterling mortgage bonds and for the construction of the La Boca pier and port, and for reconstruction of ships and other like improvements, increasing the

capital account of the company. In accordance with the purposes of the mortgage of 1897 the company undertook the reconstruction of two of its vessels. That improvement was of a permanent character, the practical reconstruction of the vessels, and amounted to about \$375,000. The improvement has been accomplished, the vessels have been reconstructed and are now in active operation, and the \$375,000 has been paid by the company.

The CHAIRMAN. Paid by the company out of what fund?

Mr. CROMWELL. From the proceeds of the \$265,000 bonds of this issue and about \$100,000 cash out of the treasury. The bonds were held in the treasury since 1897 for that very purpose.

The CHAIRMAN. In that connection, Mr. Cromwell, why was that item paid out by the sale of these bonds when there was available cash in your accumulated earnings to have done that?

Mr. CROMWELL. Because the improvement referred to was of a permanent character and related to capital account. These bonds were created for that purpose. Corporations generally have long-time bond issues to represent the permanent improvements of their property.

Mr. TOWNSEND. How do you redeem the 4½ per cent first-mortgage bonds?

Mr. CROMWELL. From our cash resources.

The CHAIRMAN. At that time there were sufficient accumulated earnings to have paid that item and left something over?

Mr. CROMWELL. Yes, sir; but the accumulated earnings of the company were represented in part by various permanent improvements, and were not all in the form of cash assets in the treasury.

The CHAIRMAN. You had accumulated earnings?

Mr. CROMWELL. Partly represented by cash in the treasury, but not entirely by cash. That, however, did not affect the status of the account itself.

The CHAIRMAN. There are \$4,191,929.91 of accumulated earnings. Was not there a sufficient amount of that available to pay for the repairs to the ships?

Mr. CROMWELL. Oh, yes; certainly.

The CHAIRMAN. That is the point.

Mr. CROMWELL. Sufficient of that amount was in point of fact physically available in cash, but not necessarily applicable to that purpose. The proper thing was to dispose of the bonds created for that purpose.

The CHAIRMAN. To go further in debt rather than use the money you had?

Mr. CROMWELL. Because the moneys in hand should first be used for the current operations of the company.

The CHAIRMAN. Were they required for that purpose?

Mr. CROMWELL. Not in the sense of being absolutely necessary to conduct the business, but were properly so applicable. If corporations took all of their net earnings to pay for reconstruction and permanent improvement of their property there never would be any distribution to stockholders.

The CHAIRMAN. You say that this item of \$4,191,929.91 of accumulated earnings was not all in cash?

Mr. CROMWELL. It was not.

The CHAIRMAN. Of what did that consist other than cash?

Mr. CROMWELL. The treasurer has made a statement which may be of use to you in explanation both of the dividends and the disposition of the surplus fund, that is, the profit and loss account.

The CHAIRMAN. Let me ask you this specific question: At the time of this last 4 per cent dividend, or at the December, 1903, directors' meeting, when they determined to pay that dividend, how much actual cash was then in this item of accumulated earnings? I want to know how much actual cash was involved in that item of accumulated earnings; in other words, I want to analyze that item.

Mr. DEMING. On December 31, 1903, the treasurer's balance sheet shows money, current assets, cash in bank, and with agents \$469,994.66.

Mr. CROMWELL. How many bonds in the treasury?

Mr. DEMING. In the treasury 6 per cent Panama Railroad Company sinking fund subsidy bonds \$153,000.

The CHAIRMAN. From what do you read?

Mr. DEMING. From the annual report, page 16; and 4½ per cent, twenty-year, gold sinking-fund bonds, \$935,000.

Mr. CROMWELL. Then you had in hand \$1,557,994 cash assets—\$469,994.66 in cash and \$1,088,000 in treasury bonds?

The CHAIRMAN. Included in these cash assets were these bonds?

Mr. CROMWELL. Yes, sir.

The CHAIRMAN. Which were really an indebtedness of the company?

Mr. CROMWELL. Not until they were sold. They would have been if sold; but in that case we would have had \$1,088,000 in cash as the proceeds thereof and with which to meet the same when they matured.

The CHAIRMAN. They never could be available for any use until they were issued, and the moment they should be issued they would become an indebtedness against the company. Therefore, to make up the account of accumulated earnings they would have to include this.

Mr. CROMWELL. No, sir; they are not a part of the accumulated earnings. The proceeds of the bonds, if sold, would have replaced the bonds sold.

The CHAIRMAN. I want to get at the items that constitute that \$4,000,000 of accumulated earnings.

Mr. DEMING. I have made a statement going back to 1896 showing the disposition of the accumulated earnings.

The CHAIRMAN. What I want to get at is to have you state what, at the time this statement was issued, were the items that went to make up this \$4,191,929.91, called the balance of "profit and loss account?"

Mr. DEMING. I present a statement showing approximately the disposition of surplus earnings over and above payment of dividends of the Panama Railroad Company included in balance to credit of profit and loss account, November 30, 1904.

The CHAIRMAN. 1904; I want the item of 1903.

Mr. CROMWELL. We will have to go back and make up one for that.

The CHAIRMAN. Well let us have this one, then.

EXHIBIT 6a.

Statement showing, approximately, the disposition of surplus earnings, over and above payment of dividends, of the Panama Railroad Company, included in balance to credit of profit and loss account, November 30, 1904.

Amount from voluntary sinking fund applied to redemption of 7 per cent general mortgage bonds held by public.....	\$705, 088. 34
693 7 per cent general mortgage bonds in voluntary sinking fund, canceled	693, 000. 00
Panama Railroad Company 6 per cent sinking-fund subsidy bonds in voluntary sinking fund turned into treasury.....	\$312, 000. 00
Less drawn for redemption.....	186, 000. 00
	<u>126, 000. 00</u>
Additions to property or capital expenditures since January 1, 1897, paid for out of earnings (see 6b).....	1, 278, 216. 84
Redemption of Panama Railroad Company 4½ per cent first mortgage bonds.....	981, 000. 00
Panama Railroad Company's first mortgage 4½ per cent bonds in treasury paid for out of earnings.....	21, 987. 50
Cash on hand November 30, 1904.....	722, 304. 98
	<u>4, 527, 597. 66</u>
Less amounts written off for worn-out equipment and adjustment of sundry accounts.....	341, 283. 59
	<u>4, 186, 314. 07</u>
November 30, 1904. Balance to credit of profit and loss as per statement No. 1.....	4, 578, 245. 86
Less balance December 31, 1896.....	587, 465. 79
	<u>3, 990, 780. 07</u>

EXHIBIT 6b.

Statement showing additions to property or capital expenditures paid for out of net earnings.

1897. Installation of electric plants, providing new staterooms and other additions on steamers <i>Allianca</i> , <i>Finance</i> , and <i>Advantage</i>	\$33, 513. 77
1898. New floating pile driver.....	7, 428. 03
1901. Electric-light plant, Colon.....	10, 055. 19
1901. Ice-making plant, Colon.....	6, 792. 70
1901. Dredging attachment for floating pile driver.....	1, 083. 34
1901-2. New tracks, Colon yard.....	12, 462. 48
1901-2. Improvements to pier No. 2, Colon.....	12, 313. 53
1901-2. 3 new coal lighters.....	36, 342. 40
1897-1902. New terminal at La Boca.....	\$2, 220, 357. 13
Less provided by disposal of bonds.....	1, 087, 000. 00
	<u>1, 133, 357. 13</u>
1902. Filling lagoon north of pier 1, Colon.....	4, 100. 73
1902. Tank at Pedro Miguel.....	3, 141. 48
1904. 2 new lighters, to November 30.....	9, 901. 76
1904. Duplicate ice plant to November 30.....	3, 452. 12
1904. New "Y" at La Boca Junction to November 30.....	2, 524. 27
1904. Installation of electric motor on steam cranes to November 30	1, 747. 91
	<u>1, 278, 216. 84</u>

Mr. DEMING. Amount of voluntary sinking fund applied to redemption of 7 per cent mortgage bonds held by public, \$705,088.34. In other words, we reduced our mortgage indebtedness to that extent.

The CHAIRMAN. You reduced your bonded indebtedness by what method?

Mr. DEMING. By the retirement of 7 per cent sterling mortgage bonds.

The CHAIRMAN. You mean you liquidated that many bonds that were outstanding?

Mr. CROMWELL. Out of cash.

The CHAIRMAN. Then you credit that—

Mr. DEMING. I took that up as one of the amounts because we had a voluntary sinking fund derived from accumulated earnings and represented by bonds purchased therewith as investments, and that entire amount was closed into the profit and loss account in 1897, and this shows what was done with that amount.

The CHAIRMAN. Let us have your next item.

Mr. DEMING. \$693,000 7 per cent sterling mortgage bonds, which were held in the same voluntary sinking fund, and which had been purchased with earnings. These were canceled out of earnings. That is, in addition to the \$705,000. Then Panama Railroad 6 per cent sinking fund subsidy bonds held in the same voluntary sinking fund were turned into the treasury, \$312,000—being bonds purchased with earnings.

The CHAIRMAN. They were not canceled?

Mr. DEMING. No, sir; they were not canceled because they had not matured as had the sterling bonds, and therefore were turned into the treasury of the company as treasury assets.

The CHAIRMAN. Now, Mr. Cromwell, that item is included in the accumulated earnings fund. Was it the notion of the directors that that would be available to be distributed as dividends?

Mr. CROMWELL. Those bonds had been acquired with previous earnings, and in equity, as between the stockholder and the corporation, constituted a dividend fund and could have been sold, if desired, to replace the cash used for their purchase.

The CHAIRMAN. You took up previous earnings of the company and bought bonds?

Mr. CROMWELL. Yes, sir.

The CHAIRMAN. Is it then indebtedness?

Mr. DEMING. It is not indebtedness any more than the ownership of Government bonds would be an indebtedness, for these bonds were purchased with cash earnings as an investment. There was no obligation to purchase them.

The CHAIRMAN. It is a debt that the company owed.

Mr. DRAKE. These subsidy bonds so purchased were capitalization or indemnity of the subsidy under the concession from the Republic of Colombia.

The CHAIRMAN. Those bonds were bonds of the company.

Mr. CROMWELL. Yes; bonds of the company, but only payable in a specified manner and amount. They were not for money received or borrowed, and were only issued to represent the annual payment of \$225,000 payable to Colombia, as it matured each year successively.

Mr. TOWNSEND. They became an obligation of your company which eventually you have to take care of.

Mr. DEMING. Concerning the \$312,000 bonds which were turned into the treasury, there have since been \$186,000 drawn for redemption, leaving \$126,000 still in the treasury. That amount only do I now carry in as part of the accumulated earnings fund.

The CHAIRMAN. That is in the item of accumulated earnings?

Mr. CROMWELL. Not the original \$312,000, only \$126,000.

The CHAIRMAN. Now let us have the next item.

Mr. DEMING. Additions to property or capital expenditures since January 1, 1897, paid for out of earnings, \$1,278,216.84.

The CHAIRMAN. It is not necessary to go into the subschedule, Exhibit 6b. It is the general item of physical properties that have been added to the original property by the earnings of the company that goes into this item of accumulated earnings available for the payment of dividends.

Mr. CROMWELL. It is a subdivision of the Exhibit 6a statement.

The CHAIRMAN. I wanted to get at how these dividends were declared.

Mr. DEMING. The next item is redemption of Panama Railroad Company 4½ per cent first mortgage bonds, \$981,000.

The CHAIRMAN. Were they liquidated or purchased?

Mr. DEMING. They were purchased by the trustees of the mortgage and canceled at the rate of \$140,000 a year, or about that sum. The mortgage calls for the payment by the railroad company of \$150,000 cash on the 1st of August of each year to the trustees of the mortgage for this purpose.

The CHAIRMAN. You mean that became a portion of the accumulated earnings in the treasury?

Mr. CROMWELL. Because they took cash out of the earnings and paid for and canceled \$981,000 of these bonds.

The CHAIRMAN. In that connection, what has become of that cash?

Mr. CROMWELL. It was paid to those who sold us the bonds.

The CHAIRMAN. That is not in the treasury?

Mr. CROMWELL. No, sir; the bonds themselves have been canceled, reducing the mortgage indebtedness of the company to that extent and increasing the equity in the property to that extent.

Mr. TOWNSEND. How could you use that \$981,000 in the payment of a dividend?

Mr. CROMWELL. How could we?

Mr. TOWNSEND. Yes.

The CHAIRMAN. Which consists of mere book charges.

Mr. TOWNSEND. How could that be made payable for dividend? You do not claim that you could draw on that to pay a dividend?

Mr. CROMWELL. No, sir. In fact we did not, and could not use as dividends moneys which we had already expended for redemption of these \$981,000 of bonds. The distribution of any dividend as between the stockholders and the corporation was confined to the \$4,000,000 fund. It would all have actually remained in the treasury were it not for the investments which Mr. Deming is stating. Of this, part was for redemption of the Sterling mortgage bonds; part for La Boca terminals; part for reconstruction of ships; part for other improvements set forth in the statement.

Mr. TOWNSEND. Then the answer that \$4,191,929.91 could be used for purposes of paying dividends is not exactly correct so far as that item of \$981,000 is concerned?

Mr. CROMWELL. I think it is absolutely correct. In a legal sense the fund itself exists without regard to the presence or nonpresence of the cash, and the corporation remains accountable to the stockholders for the fund.

Mr. TOWNSEND. Would you have attempted to pay dividends out of anything excepting a surplus?

Mr. CROMWELL. This is in the surplus, although in the form of property acquired or equity increased by reduction of mortgage debt. Any bookkeeper will tell us that the surplus is the net accumulated earnings of the company—no matter how it may happen to be invested or held—whether in cash, in securities, in improvements, or enhanced equity.

Mr. TOWNSEND. Over and above liabilities?

Mr. CROMWELL. Yes, sir. The fund as such exists. It may not at the moment be convenient to distribute it in cash. You might, for instance, make a stock dividend instead. You might also, instead, make a debenture dividend as is sometimes done; but the legal relations of the parties to the accumulated earnings remain unchanged by the manner of its investment. It may not be liquid, but that is of no legal consequence.

Mr. DEMING. The next items are: The Panama Railroad Company's first mortgage $4\frac{1}{2}$ per cent bonds in treasury paid for out of earnings, \$21,987.50; cash on hand November 30, 1904, \$722,304.98. These items together make a total of \$4,527,597.66. Less amount written off for worn-out equipment and adjustment of sundry accounts, \$341,283.59, leaving profit and loss balance since January 1, 1897, of \$4,186,314.07, which, without enumeration of trifling items, makes the equivalent of the \$4,191,929.91.

The CHAIRMAN. What I wanted to do was to analyze the item of the profit and loss account that you have—that four million and odd thousands of dollars.

Mr. CROMWELL. Mr. Deming has done so. Those things can only be done by close approximation on such short notice.

The CHAIRMAN. There is no means to find exactly and accurately what they are.

Mr. DRAKE. Not until the year closes.

The CHAIRMAN. At the close of the last year. Who is competent here to make up for us an analysis of that item of profits and loss for the year 1903?

Mr. CROMWELL. Mr. Deming, the same gentleman who prepared this.

The CHAIRMAN. Well, Mr. Deming, make that up and forward it to me at Washington. I will be obliged to you if you do that.

Mr. SIMMONS. We will have that done. You want an exact statement?

The CHAIRMAN. I want the treasurer, if he is the proper person to do it, to make a complete and accurate analysis of the item on page 17 of the annual report for the year 1903 of the board of directors to the stockholders. There is an item there: "Balance to the credit of profit and loss, \$4,191,991.91," and in this analysis that is to be made I would be glad to have incorporated the amounts of cash on hand at that time and the source from whence that cash has been derived.

Mr. CROMWELL. All right.

Mr. TOWNSEND. I wish, Mr. Chairman, you would add that we would like a similar statement for the same items for December 31, 1902, making up the item of \$4,201,587.09, as the balance to the credit of the profit and loss account.

Mr. CROMWELL. That can be done.

The CHAIRMAN. As soon as that is done, forward to me as chairman of the subcommittee at Washington.

Mr. SIMMONS. Would you not like, Mr. Chairman, for us to give you a little further explanation as to the various items that constitute, as he says, approximately, the amount of the \$4,000,000 fund?

The CHAIRMAN. I was going to pass to that now.

Mr. SIMMONS. That will aid you in comprehending it when you come to get the statement.

The CHAIRMAN. In an approximate way, I should like to know what this cash item of \$469,994.66 included in the current assets on page 16 of the fifty-third annual report for 1902, "Cash in banks and with agents." I would like to know where you got that cash; what did it represent?

Mr. DEMING. It represented the receipts of the company from various sources. It may have included amounts of our connecting steamship lines.

Mr. TOWNSEND. Did it?

Mr. DEMING. It undoubtedly did, because those accounts are always in process of settlement.

Mr. CROMWELL. Like bills receivable; current assets.

The CHAIRMAN. Is there anything included in this cash item to which I have referred other than the money that came to the company as its earnings as carrier for transportation of passengers and freight?

Mr. DEMING. No, sir.

The CHAIRMAN. This cash item of \$469,994.06 says, "cash in bank and with agents." Now, was any of that cash derived from any other source than the transportation of freight and passengers?

Mr. LOVERING. Was there anything from the sale of material?

The CHAIRMAN. Anything other than transportation?

Mr. DEMING. Yes, sir. We have our regular supply department on the Isthmus, you know, on the railroad, and we do buy and sell supplies—coal and material—we sell coal to the United States Government and to our connecting steamship lines at the Isthmus.

The CHAIRMAN. In addition to the carrying business you are dealers in coal and other supplies?

Mr. DEMING. To a certain extent; yes, sir.

The CHAIRMAN. So part of this cash was derived from profits on that commerce?

Mr. CROMWELL. Also amounts due from the Government. If the Government owed us \$50,000, that was as good as cash. I want that question answered, Mr. Deming.

The CHAIRMAN. I want to know if there was included in this item of cash anything other than the revenues derived from the conveying of freight and passengers and profits received from coal or other commerce you might have bought and sold.

Mr. DEMING. For freight, passengers, mails; to the best of my knowledge, that was all.

The CHAIRMAN. Does that cash represent any revenues derived

from placing any bonds of the company at any time or under any circumstances?

Mr. DEMING. We did not sell any bonds during the year 1903.

The CHAIRMAN. None of that cash was brought down from previous years?

Mr. DEMING. Certainly.

The CHAIRMAN. Was there any portion of that item of cash that had resulted from the sale of bonds of the company or any other manner of indebtedness on the part of the company?

Mr. CROMWELL. In other words, is any of that item represented by anything that the company is indebted for, directly or indirectly?

Mr. DEMING. Undoubtedly there was some of it that came from the proceeds of the sale of bonds.

The CHAIRMAN. Can you say how much?

Mr. DEMING. Without looking into it more closely I can not; but we sold 1,087 bonds—that is, \$1,087,000—of our $4\frac{1}{2}$ per cent bonds for account of the La Boca wharf; that is, to make a payment for balance of indebtedness incurred on account of the La Boca wharf. Now, there was in that sale an amount of about \$119,000 in excess of what we had to pay to the contractor.

The CHAIRMAN. Now, that is included in this item—that excess of \$119,000?

Mr. DEMING. Undoubtedly; but as we had to——

The CHAIRMAN. I don't care for the reasons: I want to know the facts. What other similar source was any of that cash derived from; what other indebtedness of the company or sale of its bonds?

Mr. DEMING. No other.

The CHAIRMAN. When was that excess of those bonds put into that account?

Mr. DEMING. I can get it in one moment.

The CHAIRMAN. I would like to know when that was credited up to the cash, that excess.

Mr. DEMING. Those bonds were sold in 1902.

The CHAIRMAN. Now, what is the exact amount of the excess, if you have it there, over and above the amount paid to the contractor?

Mr. DEMING. I should have to go to our books for that.

The CHAIRMAN. It was something over \$100,000, was it not?

Mr. DEMING. About \$119,000.

The CHAIRMAN. This excess is carried in this item of cash with agents and banks. Now, after declaring this dividend——

Mr. CROMWELL. Mr. Chairman, would you mind letting Mr. Deming complete his statement?

The CHAIRMAN. Yes.

Mr. DEMING. We had expended on new terminals at La Boca \$2,220,357.13, and we provided for a portion of it by the sale of those 1,087 bonds. That is, we provided \$1,087,000, leaving still uncapitalized an amount paid out of the accumulated earnings of \$1,133,357.13.

Mr. CROMWELL. And this \$119,000 excess proceeds of bonds is applied in reimbursing to that extent of that sum expended on the La Boca improvements of earnings. It reimbursed earnings account to extent of \$119,000.

The CHAIRMAN. The theory, as I understand it, upon which you have carried this four million fund is whenever you purchase any-

thing that becomes a material and permanent part of the road that is to be charged against the road, credited to accumulated earnings. That is the theory upon which this item has been built?

MR. CROMWELL. That is the practice of railroads and corporations the world over. I mean to say that we are not pursuing an unusual practice; but it is the general practice in corporate accounting.

THE CHAIRMAN. I want to recur to that item of improvement to those ships.

MR. TOWNSEND. I wanted to determine that in connection with the answers that you, Mr. Deming, and Mr. Cromwell have made that that \$4,191,929.91 was available for the payment of dividends. I wanted to get at how that was possible if you are going to make a statement of the items that make up that general sum of \$4,000,000 in 1903, and also a similar item in 1902.

MR. DEMING. Possibly, because the items that go to make up that fund extend back over a period of years. On the 1st of January, 1897—

THE CHAIRMAN. That is one of the main things I want; a complete and accurate analysis of that item.

MR. DEMING. We will give you as accurate an analysis as our books will allow us to do.

MR. TOWNSEND. Can you tell this, Mr. Deming; how much more money available for the payment of dividends you had in the treasury at the time your last 4 per cent dividend was declared in 1903 than you had at the same date, same time of year, in 1900? Would it be possible for you to find that?

MR. DEMING. Mere cash in hand does not represent an amount that is applicable to the payment of dividends.

MR. TOWNSEND. As much in 1903 as in 1900?

MR. DEMING. Yes, sir.

MR. TOWNSEND. As much in 1900 as in 1903?

MR. DEMING. Yes, sir.

MR. TOWNSEND. Then you can make that comparison for us, can you not?

MR. DEMING. I will make the attempt.

THE CHAIRMAN. Do not these annual reports make that now?

MR. CROMWELL. Yes, I think they do.

MR. TOWNSEND. You have not changed your method of bookkeeping—you had not—at the time of the last 4 per cent dividend in 1903, from what it had been theretofore from 1893 to 1901?

MR. DEMING. No, sir; we made a change in our method of bookkeeping in 1896.

MR. TOWNSEND. But after that there was no change in keeping your account at all?

MR. DEMING. None whatever.

MR. TOWNSEND. And has not been up to date?

MR. DEMING. No, sir.

MR. LOVERING. Has that balance of assets been a constantly increasing one from year to year?

MR. DEMING. Yes, sir.

MR. TOWNSEND. Does that balance—I now refer to the item on page 17 of your report of 1903 to the stockholders—of \$4,191,929.91 represent all of the assets of the company over and above its liabilities at that time?

Mr. DEMING. Yes, sir.

Mr. TOWNSEND. Does it include any part of the ships, or all of them?

Mr. DEMING. It is over and above the ships as part of the assets.

Mr. TOWNSEND. All of them?

Mr. DEMING. Yes, sir; the three ships which the company owns.

Mr. TOWNSEND. So that there is no item that is considered as an asset, either of the ships or the railroad, that is not included in that item on the date of December 31, 1903?

Mr. CROMWELL. You do not mean included in the item of \$4,191,929.91 itself, but included in the account of which that item is the balance?

Mr. TOWNSEND. As I say, the balance over and above.

Mr. CROMWELL. All the property of the company, without exception?

Mr. DEMING. That represents the surplus.

Mr. CROMWELL. Over and above all the property, without exception?

Mr. DEMING. Of the property—we have that other property——

Mr. TOWNSEND. What other property do you refer to, Mr. Deming?

Mr. DEMING. We have our liabilities, assets and liabilities, and over and above that there is an amount of \$4,191,929.91.

Mr. TOWNSEND. That is the way I understand that; that represents the balance.

Mr. CROMWELL. That is right, sir.

The CHAIRMAN. As treasurer, you have charge of the books showing all moneys received by the company, and from whom they were received?

Mr. DEMING. Yes, sir.

The CHAIRMAN. Do the books show a payment to this company of any money by any connecting steamship lines?

Mr. DEMING. Yes, sir.

The CHAIRMAN. What lines?

Mr. DEMING. The lines which——

The CHAIRMAN. I will ask you more specifically; what lines on the Pacific side?

Mr. DEMING. The Pacific Mail Steamship Company, the Pacific Steam Navigation Company, and the South American Steamship Company.

The CHAIRMAN. Do your books show the receipt of any money by the Panama Railroad Company from any other railroad company?

Mr. DEMING. No, sir; no other railroad company.

The CHAIRMAN. No money received from any source of that sort?

Mr. DEMING. No, sir.

Mr. LOVERING. Is there any money received from any other source than in the regular course of business?

Mr. DEMING. No, sir.

Mr. LOVERING. No subsidy?

Mr. DEMING. No, sir.

Mr. TOWNSEND. Have you any contracts with any other railroad company in regard to the handling of trade?

Mr. DEMING. We have not; but I think that is a question that Mr. Cromwell or Mr. Drake could answer.

Mr. CROMWELL. The company has no contract, arrangement, understanding, division, or transaction with any other railroad company

in the world, directly or indirectly, remotely or contingently. I am glad that I could answer that myself. You know we have the contract with the Pacific Mail.

The CHAIRMAN. Have you at hand a copy of the contract that exists between the Panama Railroad Company and the Pacific Mail Steamship Company?

Mr. CROMWELL. Yes, sir; I drew it. It is in the form of two contracts. Here they are.

The CHAIRMAN. Mark these "Exhibit No. 7" and "7a."

EXHIBIT 7.

"THE PANAMA ROUTE."

CONTRACT BETWEEN THE PANAMA RAILROAD COMPANY AND THE PACIFIC MAIL STEAMSHIP COMPANY.

[Dated June 11, 1902.]

This agreement, made this eleventh day of June, 1902, in the year one thousand nine hundred and two, between the Panama Railroad Company, duly chartered and organized under the laws of the State of New York, and hereinafter called the railroad company, party of the first part, and the Pacific Mail Steamship Company, also duly chartered and organized under the laws of the said State, and hereinafter called the steamship company, party of the second part, witnesseth:

Whereas the said railroad company is now operating its railroad across the Isthmus of Panama, and running a line of steamers from New York to Colon on the Atlantic Ocean; and

Whereas the said steamship company is now running a regular line of steamers on the Pacific Ocean between San Francisco and Panama and intermediate ports on the Central American and Mexican coast; and

Whereas both companies are interested in and desirous of hereby establishing conditions under which they may carry on regularly and without interruption the business of transportation between San Francisco and New York and the said intermediate ports, with the intent hereby declared by both parties to develop to the fullest possible extent traffic by the Isthmus of Panama and to prevent the diversion of the business of said isthmus to other routes;

Now, therefore, in consideration of these premises and with the intention of so securing to both of the parties hereto the advantages of a contract of the general character above set forth for a term of years, and in consideration of the sum of one dollar by each of the parties hereto to the other paid before the delivery hereof, it is mutually covenanted and agreed by and between the respective parties hereto, and their respective successors, assigns, and legal representatives, as follows, that is to say:

ARTICLE I.

The railroad company hereby concedes to the steamship company (so far as its charter and its contract with the Colombian Government permit) the exclusive privilege of through billing to and from any and all ports of Central America, Mexico, the United States, and British Columbia, on the Pacific Ocean, under and during the life of this contract as hereinafter provided, in connection with the railroad company and each and every one of its Atlantic connecting lines.

During the pendency of this contract the steamship company, when taking on its vessels for shipment at San Francisco or at any Pacific coast port situated between San Francisco and Panama, merchandise destined to Atlantic or Gulf ports of the United States, or to European points, shall issue its through bills on such merchandise only via the Isthmus of Panama.

At New York and San Francisco business transported, or to be transported, by the Panama route is to be delivered to and received from connecting lines, the rates on such business so delivered to or received from connecting lines to be made by adding to the charges of such connecting lines and all transfer

charges the rates prescribed under this agreement for transportation between New York and San Francisco.

And both parties agree, respectively (within the scope of their powers and as far as they can consistently with their own safety and protection and with their duties as common carriers), to cooperate with each other in making such rates and in generally taking such measures as will afford to both parties protection against interference or competition by other steamship lines with the traffic hereby conceded by each to the other.

ARTICLE II.

Section "A."—There shall be maintained by the steamship company a through line of steamers each way between Panama and San Francisco, and such intermediate ports at which the steamship company now calls, as well as any other intermediate ports on the Pacific coast as above recited whose traffic shall develop sufficiently to warrant making them ports of call. The steamship company shall, subject to the perils of the seas, make at least three trips each way per month between Panama and San Francisco, and the steamers shall be those now running on the steamship company's line between said ports, or others of approximately equal capacity and speed. In case any of the steamers engaged in the above service be lost or destroyed, the steamship company agrees to promptly replace such lost or disabled vessel or vessels by another or others of approximately equal capacity and speed, so far as necessary to maintain the service as above prescribed, namely, a through line of steamers between Panama and San Francisco and the intermediate ports as aforesaid, and the three trips each way per month as aforesaid by said present steamers or others of approximately equal capacity and speed.

Section "B."—The railroad company shall maintain a line of steamers each way between New York and Colon, and it shall, subject to the perils of the sea, make at least three trips each way per month between New York and Colon, and the steamers shall be those now running on the railroad company's line between said ports, or others of approximately equal capacity and speed. In case any of the steamers engaged in the above service be lost or destroyed, the railroad company agrees promptly to replace such lost or disabled vessel or vessels by another or others of approximately equal capacity and speed, so far as necessary to maintain the service as above prescribed, namely, a through line of steamers between New York and Colon as aforesaid, and the three trips each way per month as aforesaid by said present steamers or others of approximately equal capacity and speed.

Section "C."—These two steamship lines, connecting respectively at Panama and Colon with the Panama railroad shall constitute, with said railroad, what shall be hereafter called the "Panama Route," between New York and San Francisco.

ARTICLE III.

The intention and purpose of this agreement being to obtain for the said "Panama Route" all the freight business that can be secured at reasonable and remunerative rates, it is agreed that either party to this agreement shall, at the request of the other party thereto, publish and make operative such through rates between New York and San Francisco as will compete with those made operative by the competing transcontinental railroad lines; and failure to comply with such request within twenty days from the date of its receipt shall constitute a violation of this contract and subject the offending party to the provisions of Article XIX of this contract.

Both parties, however, agree that whenever either party without request from the other puts in operation on east or west bound traffic between San Francisco and New York, or requests the other to put in operation on such traffic, a through rate of less than forty cents (40c.) per hundred pounds or ten cents (10c.) per cubic foot, then the party so putting into effect such rate, without request from the other or the party making such request, agrees to bear itself whatever difference there may be between the minimum rate above stated and the rate so put in operation, or requested, below such minimum rate.

ARTICLE IV.

During the term of this contract the railroad company shall not, directly or indirectly, run any steamers on the Pacific north of Panama, and shall (in so far as its charter and its contract with the Colombian Government may permit,

and so far as it can consistently with its own safety and protection under existing treaty stipulations) in every manner lawfully and reasonably within its power promote and protect the interests of the steamship company in all traffic north of Panama in connection with said railroad and its Atlantic connecting lines, and especially against all forms of competition whatsoever, and will (so far as it is practicable) give, turn over to, and direct to the vessels of the steamship company, to the extent that it can lawfully control or influence the same, all business destined to Pacific points north of Panama originating on the Isthmus of Panama and carried upon its railroad or which may be brought to said isthmus by its own ships or by other ships or lines, and especially will not, so long as the steamship company faithfully performs the stipulations of this agreement, become interested in or divide with any other person or persons or corporation or corporations the earnings of a through line or any through business to or from points on the Pacific coast north of Panama, and upon all such through business the full local tariff rates for the time being in force for transportation across the Isthmus of Panama shall be charged to all competing lines, and the railroad company will pay to the steamship company the amount of the share of the through rate to which the steamship company would have been entitled if such through business had been carried over its line.

Further, the parties hereto, each for itself, agree that all freight, passengers, baggage, specie and mail matter confided to either for transportation or brought by the one party to the other for the purpose of being conveyed in either direction over and upon the whole or any part of said Panama route shall be transported and carried promptly and without undue delay.

During the pendency of this contract the steamship company binds itself not to run vessels directly or indirectly from any port on the eastern shore of the North American Continent to Colon or to the eastern terminal of any of the transcontinental routes.

The steamship company agrees during the pendency of this contract (in so far as its charter may permit and so far as it can consistently with its own safety and protection under existing treaty stipulations) in every manner lawfully and reasonably within its power to promote and protect the interests of the railroad company in the traffic of the Panama route, and especially against all forms of competition whatsoever; the steamship company further agrees during the pendency of this contract not to divert from the Panama route the traffic to or from any of the Pacific ports between San Francisco and Panama, originating at or destined to Atlantic or Gulf ports of the United States or European ports. And for such business the steamship company shall not enter into contracts of any kind involving through billing with any person, party, or corporation other than the Panama Railroad Company, nor shall the steamship company compete directly or indirectly (by reduced rates or otherwise) with the "Panama route" on said business, and on any business so diverted directly or indirectly by it the steamship company shall pay to the railroad company the freight it would have been entitled to receive if such business had been carried across the isthmus on its railroad.

ARTICLE V.

It is agreed that through freight rates so far as the same accrue to the railroad company and steamship company shall be divided between them as follows:

On freight between United States Atlantic coast ports and United States Pacific coast ports; to the railroad company, fifty per cent (50%); to the steamship company, fifty per cent (50%); minimum rate, forty cents (40c.) per hundred pounds or ten cents (10c.) per cubic foot.

On freight between United States Atlantic coast ports and Mexican or Central American ports; to the railroad company, sixty per cent (60%); to the steamship company, forty per cent (40%); minimum rate to or from Mexican ports, sixty cents (60c.) per hundred pounds, or thirty cents (30c.) per cubic foot ship's option; minimum rate to or from Central American ports, fifty cents (50c.) per hundred pounds, or twenty-five cents (25c.) per cubic foot ship's option.

On foreign freight between European ports and Mexican or Central American ports; To the railroad company, forty per cent (40%); to the steamship company, sixty per cent (60%); minimum rate, thirty-five shillings (35/) per ton of twenty-two hundred and forty (2,240) pounds, or forty (40) cubic feet.

On foreign freight between European ports and United States Pacific coast ports: To the railroad company, thirty-seven and one-half per cent ($37\frac{1}{2}\%$); to the steamship company, sixty-two and one-half per cent ($62\frac{1}{2}\%$); minimum rate, forty cents (40c.) per 100 pounds, or ten cents (10c.) per cubic foot.

The above-prescribed division between the railroad and steamship company shall apply to the portion of the through freight rates accruing to said companies on business and traffic, whether originating at or destined to the ports above mentioned or points prior or subsequent thereto.

Subject to above agreed minima, the freight rates between United States Atlantic and United States Pacific coast ports, and between United States Atlantic coast ports and Mexican or Central American ports, and between Mexican, Central American, or United States Pacific coast ports and European ports, are to be fixed by the initial carriers. All tariffs naming rates and commodities are to be made by mutual consent and become effective with the date of this agreement.

It is further agreed that if, during the pendency of this contract, it becomes necessary, on account of quarantine or revolutions, or the acts of any government, to hold and warehouse freight, mail, specie, etc., at any point on the railroad or steamship company's lines, all charges thereon are to be considered as line charges, and are to be pro rated between the lines in interest according to the divisions of the through rates, it being understood that the charges for handling and warehousing by the railroad or steamship company are to be at cost.

ARTICLE VI.

It is mutually agreed that the term "ton," as used in this agreement, shall mean two thousand two hundred and forty (2,240) pounds avdp., or forty (40) cubic feet measurement when so taken by ships, unless otherwise expressly provided herein.

ARTICLE VII.

Passenger rates accruing to the railroad and steamship company between New York and Pacific coast ports, Panama to San Francisco, both included, shall be divided as follows: To the railroad company, fifty per cent (50%); to the steamship company, fifty per cent (50%).

Through passenger rates effective under terms of this contract are those which were in effect December 1, 1899, and any change therefrom is to be made only by mutual consent in writing; but either party to this contract is at liberty to diminish any agreed rate, but at its own cost, by the amount of the proportion accruing to it under the above divisions.

Any commissions paid agents for soliciting and obtaining passenger business covering service of Panama route are to be divided between the railroad company and the steamship company pro rata, according to the divisions of the through rate.

Both parties shall have the right to appoint and maintain agents at any point they may select.

ARTICLE VIII.

The steamers of the Pacific Mail Steamship Company shall make use of the La Boca wharf provided by the Panama Railroad Company whenever in the judgment of the Pacific Mail Steamship Company it is safe and prudent so to do; but in the event of the steamers not being able to get alongside said wharf without delay, then the cargo, etc., shall be lightered in the Bay of Panama.

When steamers load or discharge alongside La Boca wharf no charge shall be made on passengers, mails, specie, baggage, etc., but the railroad company shall be paid as wharfage on all other cargo (when same is taken from or landed on the wharf direct) a maximum rate of eighty cents (80c.) American gold per ton, it being understood that the railroad company is to provide at its wharf at La Boca the necessary equipment for the efficient operation thereof and for the prompt loading and unloading by the steamship company of its vessels, compensation for all which is included in above wharfage.

If the railroad company furnishes cranes, there shall be an additional charge of ten cents (10c.) per ton on cargo for the use of such cranes, such usage, however, of cranes being optional with the steamship company.

When lighterage is performed by the railroad company and the lighters are loaded or discharged at La Boca, no charge other than the lighterage charged is

to be made the steamship company for the use of La Boca wharf or cranes, or loading or unloading the lighters at the wharf.

If the steamship company elects to enter service between Panama and Chiriqui, such service is to form part of this contract, and the steamship company is to have the right to land all cattle it may carry on the beach at Panama free of any charge.

ARTICLE IX.

The railroad company shall, during the pendency of this contract, continue to employ its lighters when reasonably necessary to connect with the steamship company's vessels and the shore at Panama, the railroad company agreeing to furnish lighters in sufficient number to load and unload such vessels with dispatch.

When lighters are used the following shall be the lighterage charges: For each ton of freight delivered by the steamship company to the railroad company, or by the railroad company to the steamship company, ninety cents (90c.) per ton United States currency; for all specie or treasure, one-fortieth of one per cent ($1/40\%$); for each passenger one dollar (\$1.00) United States currency; no charge for extra baggage or mails.

Panama local cargo to be received and delivered by the party of the first part as agent for the party of the second part, in that city; the receipt or delivery thereof and transfer to and from steamer, including the lighterage, wharfage, and crange, to be performed by party of the first part, and party of the second part will pay for such services rendered \$1.25 per ton, whether lightered or received from or delivered to steamers at La Boca.

ARTICLE X.

The railroad company agrees to transport from Colon to Panama supplies, excepting coal, exclusively for the use of the steamship company's steamers on the Pacific at three dollars (\$3) per ton, and to lighter same at Panama at one dollar (\$1) per ton additional, it being hereby agreed that the steamship company shall have the right to perform lighterage on its own coal and other supplies in its own lighters.

The railroad company agrees to transport by each steamer from New York to Colon, supplies exclusively for the use of the steamship company, at the rate of \$5 per ton.

ARTICLE XI.

The officers and employees of the steamship company shall be carried between Panama and Colon free, and between New York and Panama or Colon at the rate of ten dollars for each passenger.

The officers and employees of the railroad company shall be carried between Panama and San Francisco at the rate of twenty dollars for each passenger.

ARTICLE XII.

The railroad company agrees, so long as its wires are in working order, to obtain and furnish the steamship company all telegraphic and telephonic information through its agents that may be necessary to properly conduct the business of the Panama route.

ARTICLE XIII.

Each party hereto shall be responsible for cargo, specie, and mail while under its care and until delivered to its cocarrier.

Any responsibility accruing in regard to passengers or their baggage is to be assumed in like manner as cargo.

Whenever any loss or injury occurs, or damage from delay in transportation, the loss or injury or damage from delay, whether accruing with respect to cargo, specie, mail, passengers or their baggage, shall, when same can not be located, be prorated between the railroad company and the steamship company, according to the divisions of the through rate that may apply in each case.

In case any actions, suits, or claims shall be brought against any cocarrier, the carrier responsible, as above stipulated, shall bear and discharge any loss, damage, or expense incident thereto; provided the carrier sued shall at once give notice to the other cocarrier to the end that each may have opportunity to defend its interests.

ARTICLE XIV.

The carriage or transportation of salt, coal, and grain (except barley in bags between United States points) is hereby exempted from the operation of this contract, and each of the contracting parties reserves its full liberty as to the carriage or transportation of these articles.

ARTICLE XV.

The railroad company will do at its shops in Panama and Colon such work and repairs for the steamship company as the steamship company from time to time may request, and as the railroad company can perform without interference with its own business, charging therefor the cost of labor and material on the Isthmus, with ten per cent added thereto.

ARTICLE XVI.

The steamship company shall make over and deliver to the railroad company charter-parties of even date with the present instrument, at the nominal rate of one dollar per month, and unconditional in terms of the following steamers belonging to said company, and now running or to be run between Panama and San Francisco under this contract, to wit, the *Acapulco*, the *San Jose*, the *City of Sydney*, the *Colon*, the *City of Para*, and the *San Juan*, and agrees to likewise make over and deliver to the railroad company like charters of any other steamers placed upon said service under the provisions of Section A, of Article II of this contract, simultaneously with the placing of the same upon said service.

If the steamship company, from any cause except the act of God or the public punctually and regularly three trips per month in each direction under and according to the provisions of Section A, Article II of this contract, then these charters are to remain unenforceable.

If the steamship company, from any cause except the act of God, or the public enemy, or arising from the perils of the sea, omits two sailings in any one calendar month during the continuance of this contract, then the above charters are, as to all or any one or more of said steamers, at the railroad company's option, to become enforceable, and the railroad company shall have, and is hereby given, the absolute right and power to run said vessels, or any of them, on the aforesaid described route and service, calling at all ports between Panama and San Francisco, and vice versa, for the account and risk of and at the expense of said steamship company, during the unexpired portion of this contract, it being the express intent and agreement of the parties hereto that the covenants of this article shall be specifically enforceable, and that breach thereof can not be adequately compensated in damages.

The steamship company agrees, in the contingency aforesaid, peacefully to surrender to the railroad company, upon its demand in writing, the said steamers, or any of them, without the intervention of any court or legal proceedings of any kind whatsoever; the steamship company hereby irrevocably giving the railroad company all the power and authority needful in the premises, in order that the railroad company may take possession of said steamers, or of any one or more of them, and operate them, or any one or more of them, under the provisions and terms of the charter-parties hereto annexed; and it is expressly agreed that in case of any conflict of opinion or doubt as to the respective rights of the parties hereto under this clause, until such rights are finally established by the judgment and decree of a competent court, or by arbitration in the manner hereinafter provided, the steamship company or its successors will not, in the contingency herein contemplated, hold said ships as against any demand of said railroad company, and will not prevent or hinder the use of the same by the railroad company in the manner or in the business contemplated by this agreement.

ARTICLE XVII.

The railroad company shall make over and deliver to the steamship company charter-parties of even date with the present instrument, at the nominal rate of one dollar per month and unconditional in terms, of the following steamers belonging to said railroad company and now running, or to be run, between New York and Colon under this contract, to wit, the *Allianca*, the *Advance*, and the *Finance*, and agrees to likewise make over and deliver to the steamship com-

pany like charters of any other steamers placed upon said service under the provisions of Section B, of Article II of this contract, simultaneously with the placing of the same upon said service.

It is hereby further agreed that as long as the railroad company's steamship line performs punctually, and regularly at least three trips per month in each direction, under and according to the provisions of Section B, of Article II of this contract, then these charters are to remain unenforceable.

If the railroad company, from any cause except the act of God or the public enemy, or arising from the perils of the sea, omits two sailings in any one calendar month during the continuance of this contract, then the above charters are, as to all or any one or more of said steamers, at the steamship company's option to become enforceable, and the steamship company shall have, and is hereby given, the absolute right and power to run said vessels, or any of them, on the aforesaid described route and service, between New York and Colon, and vice versa, for the account and risk of and at the expense of said railroad company, during the unexpired portion of this contract, it being the express intent and agreement of the parties hereto that the covenants of this article shall be specifically enforceable, and that breach thereof can not be adequately compensated in damages.

The railroad company agrees, in the contingency aforesaid, peacefully to surrender to the steamship company, upon its demand in writing, the said steamers, or any of them, without the intervention of any court or legal proceedings of any kind whatsoever; the railroad company hereby irrevocably giving the steamship company all the power and authority needful in the premises, in order that the steamship company may take possession of said steamers, or of any one or more of them, and operate them, or any one or more of them, under the provisions and terms of the charter-parties hereto annexed; and it is expressly agreed that in case of any conflict of opinion or doubt as to the respective rights of the parties hereto under this clause, until such rights are finally established by the judgment and decree of a competent court, or by arbitration in the manner hereinafter provided, the railroad company, or its successors, will not, in the contingency herein contemplated, hold said ships as against any demand of said steamship company, and will not prevent or hinder the use of the same by the steamship company in the manner or in the business contemplated by this agreement.

ARTICLE XVIII.

For all joint business transacted under this contract and for all services or material furnished by the parties thereto to each other there shall, except as herein otherwise expressly provided for, be rendered at New York a monthly account, on the 25th day of each month, for the business of the preceding month, such statement to cover all business of the preceding month cleared during said month, and the sums due shall be paid on that date to the creditor company.

ARTICLE XIX.

Any and all questions that shall or may arise touching this agreement, or the construction thereof, or any matters or things to be done or performed by either of the parties hereunder, shall be submitted to the decision and award of three arbitrators, who shall be disinterested persons, and who shall be chosen, one by each of the parties hereto, and the third by the two so chosen. Either party hereto may, at any time, notify the other, in writing, that it elects to submit any such matter of difference to arbitration hereunder and name an arbitrator, and if the other party shall fail or omit to name an arbitrator within fifteen days after written notice of such selection of an arbitrator by the other party and written request to name an arbitrator, the arbitrator named by the party giving such notice shall name an arbitrator for and on behalf of the party so failing or omitting, who shall have the same power and authority as though he had been chosen and nominated by such party. And the decision and award of any two of such arbitrators with respect to the matters so submitted to them shall be binding and conclusive upon the parties; and each of the parties hereto does bind itself and its successors faithfully to abide by and carry out any award so made by any two of the arbitrators appointed as aforesaid. Any question of violation or failure to observe this agreement by either party, or any other question arising between them hereunder, may be submitted to such arbitrators, and they shall determine, first, as to the fact, and, secondly, as to the amount of money

damages to be paid by the party found guilty to the party making the charge, or the particular thing to be done or to be refrained from being done by such guilty party, and such amount shall be paid, and such award shall be complied with, within ten days of the rendering of such award. The two parties both agree to furnish to the arbitrators any paper, instrument, or book in their possession which such arbitrators may request them to produce. Should any arbitration fail for any cause, then such proceedings as above prescribed may be taken de novo by either party to this agreement. All hearings by said arbitrators shall be held in New York or on the Isthmus of Panama, or in San Francisco, or such other place where witnesses necessary to appear before the arbitrators may be obtained with the least expense to the parties to this contract, and all fees and expenses of such arbitrators shall be borne by the party against whom the award of the arbitrators shall be made, and shall be assessed by said arbitrators and made part of their award.

This article shall be considered of the essence of this agreement and any breach of or failure to observe any of the terms thereof shall be deemed to be a material breach of the entire contract.

ARTICLE XX.

Any of the conditions of Articles V, VII, VIII, IX, X, and XI of this agreement may be altered by consent in writing of the parties hereto, signed by their respective presidents or vice-presidents, without affecting any of the other conditions of this agreement.

ARTICLE XXI.

Subject to the provisions of a contemporaneous agreement between the parties hereto of even date herewith this contract, except as herein otherwise expressly prescribed, shall remain in force for three years from the eleventh day of June, 1902, and for the further period of two years, if either party shall so elect, and if such party shall have given notice of such election to the other party hereto at least ninety (90) days before the expiration of the first term of three years.

In witness whereof the said parties hereto have caused this instrument to be signed in their corporate names by their respective presidents, and their respective corporate seals to be hereunto affixed and attested by their respective secretaries the day and year first herein above written.

PANAMA RAILROAD COMPANY,
By J. EDWARD SIMMONS, *President*.

Attest :

E. A. DRAKE, *Secretary*.

PACIFIC MAIL STEAMSHIP COMPANY,
By CHARLES H. TWEED, *President*.

Attest :

JOS. HELLEN, *Secretary*.

STATE OF NEW YORK, *County of New York, ss:*

On this 11th day of June, 1902, before me personally appeared J. Edward Simmons, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Panama Railroad Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the president of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed by him and sealed in behalf of the said corporation by authority of its board of directors; and the said J. Edward Simmons acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings County.
Certificate filed in New York County, N. Y.

STATE OF NEW YORK, *County of New York, ss:*

On this 11th day of June, 1902, before me personally appeared E. A. Drake, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Panama Railroad Company, who, being by me duly

sworn, did depose and say: That he resided in New York City; that he was the secretary of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed and sealed by him in behalf of the said corporation by authority of its board of directors; and the said E. A. Drake acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings County.
Certificate filed in New York County, N. Y.

STATE OF NEW YORK,

County of New York, ss:

On this 11th day of June, 1902, before me personally appeared C. H. Tweed, personally known to me to be the individual who subscribed the within instrument, for and in behalf of the Pacific Mail Steamship Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the president of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed by him and sealed in behalf of the said corporation by authority of its board of directors; and the said C. H. Tweed acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings County.

Certificate filed in New York County, N. Y.

STATE OF NEW YORK,

County of New York, ss:

On this 11th day of June, 1902, before me personally appeared Joseph Hellen, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Pacific Mail Steamship Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the secretary of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed and sealed by him in behalf of the said corporation by authority of its board of directors; and the said Joseph Hellen acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings County.

Certificate filed in New York County, N. Y.

[Extract from minutes of regular meeting of the board of directors of the Panama Railroad Co., held at the office of the company, No. 24 State street, New York, on Thursday, June 12th, 1902]

Resolved, That the contract and supplemental agreement between the Pacific Mail S. S. Co. and this company, which have been approved by counsel and now submitted to this board, be, and the same are hereby, ratified, approved, and adopted, said agreements being as follows:

* * * * *

And the president and secretary of this company are hereby fully authorized and empowered to execute, acknowledge, and deliver for and in behalf of this company, and under its corporate seal, the agreements aforesaid, together with the several charter parties and stipulations provided by said agreements to be made and delivered at this time or any time hereafter by this company, said charter parties and stipulations to be in such form and terms as to the executive committee may seem proper in order to carry out said agreements; and said officers are also fully authorized and empowered to do all acts and things which they may deem necessary or proper to effectuate the completion of said agreements and the full establishment of the same.

I hereby certify the foregoing to be a true and correct copy of the resolution adopted by the board of directors at its meeting held on June 12th, 1902, duly called and held.

Witness my hand and official seal this 12th day of June, 1902.

[Seal of Panama Railroad Co.]

E. A. DRAKE, *Secretary.*

[Extract from the minutes of a special meeting of the board of directors of the Pacific Mail Steamship Co., held at No. 120 Broadway, in the city of New York, on Wednesday, June 11th, 1902, at 3 o'clock p. m. A quorum being present and assenting.]

Resolved. That the agreement and the supplemental agreement between the Panama Railroad Company and this company, which are now submitted to the board, be, and the same are hereby, approved, and that the president and secretary of this company be, and they are hereby, authorized to execute said agreement and supplemental agreement under the corporate seal of this company, and to acknowledge and deliver the same, and to execute, acknowledge, and deliver charter parties as prescribed in said agreement, and to do such other acts and things as they may deem necessary and proper to carry out said agreement and supplemental agreement.

Attest:

A true copy.

[Seal of Pacific Mail Steamship Co.]

JOS. HELLEN, *Secretary.*

EXHIBIT 7a.

"THE PANAMA ROUTE."

SUPPLEMENTAL CONTRACT BETWEEN THE PANAMA RAILROAD COMPANY AND THE PACIFIC MAIL STEAMSHIP COMPANY.

[Dated June 11, 1902.]

This memorandum of an agreement, made and entered into this eleventh day of June, 1902, by and between the Panama Railroad Company, a corporation duly chartered by and organized under the laws of the State of New York, and hereinafter called the railroad company, party of the first part, and the Pacific Mail Steamship Company, also a corporation duly chartered by and organized under the laws of said State, and hereinafter called the steamship company, party of the second part, witnesseth, that

Whereas the parties hereto have entered into another agreement, bearing even date herewith, for the purpose of regulating the traffic arrangements between them and hereinafter called the traffic agreement; and

Whereas a suit is now pending before the supreme court of the Republic of Colombia, brought by the attorney-general of said Republic against the railroad company, to compel the railroad company to grant to all carriers the privilege of issuing through bills of lading over its line of railroad and to forbid it to give to any carrier special privileges or advantages in respect of transportation of goods over said railroad; and

Whereas carriers of goods and passengers from Panama to points upon the Pacific, north of said city, may enter into competition with the Panama route and may embarrass the operations of said route, and it may be necessary for the proper conduct of the business that other independent means of transportation from Panama to points on the Pacific, south of said city, should be provided:

Now, therefore, in consideration of the premises and of the sum of one dollar by each of the parties hereto to the other in hand paid, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and of the making of said traffic agreement and of the various covenants of the respective parties hereinafter contained, the parties aforesaid have covenanted and agreed, and do hereby covenant and agree, to and with each other as follows:

First. The railroad company and the steamship company will cooperate in defending, or procuring the dismissal of the said suit now pending before the supreme court of the Republic of Colombia, and will contribute in the proportion of 55 per cent by the railroad company and 45 per cent by the steamship company to the expenses hereafter and during the operation of said traffic agree-

ment, incurred for counsel in connection with the defense of said suit, or with such efforts to procure the dismissal thereof.

Second. If the railroad company should not, on account of its inability to do so, or for any other reason, give to the steamship company the exclusive privilege of issuing through bills of lading over its line of railroad, to and from the ports referred to in the first paragraph of Article I of said traffic agreement, in connection with the railroad company and each and every one of its Atlantic connecting lines, then the steamship company shall be entitled, at its option, to terminate said traffic agreement upon giving written notice to the railroad company of its election so to terminate the same.

Third. Upon the execution of the said traffic agreement by the parties hereto the railroad company is to forthwith give notice to all steamship lines running steamers between Panama and ports on the Pacific coast north thereof, other than the Pacific Mail Steamship Company, that upon the expiration of ninety days from the giving of such notice the railroad company will cease to through-bill with the steamship lines so notified, or either or any of them, in respect of the transportation of merchandise on the Pacific coast north of Panama, and the parties hereto shall endeavor to procure arrangements between such other steamship lines so notified and the parties hereto for a division of territory under which the transportation of merchandise on the Pacific coast north of Panama shall be conducted by the Pacific Mail Steamship Company only, and the transportation of merchandise on the Pacific coast south of Panama shall be conducted by such other lines and for a mutual interchange of business at Panama between said Pacific Mail Steamship Company and such other steamship lines.

If on or before the expiration of ninety days from the giving of such notice such other steamship lines shall not have agreed to such division of territory and to such mutual interchange of business at Panama as above prescribed, but shall conduct the transportation of merchandise north of Panama, the Pacific Mail Steamship Company may, at its own expense, but otherwise in cooperation with the Panama Railroad Company, inaugurate a steamship line extending as far south as Valparaiso, and the Panama Railroad Company will extend to the Pacific Mail Steamship Company, in respect of such line, facilities in all respects equal to those which the railroad company may accord to any other line operating steamers south of Panama.

If, in consequence of the notification to be given as above prescribed from the railroad company to the other steamship lines, or such efforts to secure a division of territory as above provided, such other steamship lines shall withdraw their existing lines connecting Panama with points on the Pacific coast south thereof, then the Pacific Mail Steamship Company will, if the railroad company shall so request, forthwith make arrangements for providing for a line of steamers running south from Panama as far as Valparaiso, and shall within at most 120 days after the making of such request establish and begin the actual operation of such line; and in that event the railroad company will thereafter and so long as such line shall be maintained and operated in a regular and efficient manner so as to accommodate properly the traffic between said points and Panama in connection with the railroad, refuse and continue to refuse to through-bill with other steamship lines in respect of business south of Panama, and will through-bill exclusively with the Pacific Mail Steamship Company for such business, and will extend to the Pacific Mail Steamship Company facilities for such business in all respects equal to those which by the said traffic agreement are extended to the business conducted by the Pacific Mail Steamship Company north of Panama. Provided, however, that the running of such line of steamers south from Panama by the Pacific Mail Steamship Company and such exclusive through-billing privilege may be terminated upon one year's notice from the Pacific Mail Steamship Company to the Panama Railroad Company of its election to terminate the running of such line, or upon one year's notice from the Panama Railroad Company to the Pacific Mail Steamship Company of its election to terminate such exclusive through-billing privileges.

Fourth. It is mutually and expressly understood and agreed that if at any time during the continuance of said traffic agreement, a majority of the shares of the railroad company or its railroad property shall be purchased or acquired by the United States of America, or by any person or persons representing it or acting in its behalf, then either party hereto may give notice in writing to the other of its intention to terminate said traffic agreement, and at the expiration of six months from the giving of such notice, the said traffic agreement and the previous articles of this agreement shall terminate, come to an end, and

be utterly null and void thenceforth, anything in said traffic agreement or herein contained to the contrary notwithstanding.

In witness whereof each of the parties hereto has caused these presents to be signed by its president, attested by its secretary, and sealed with its corporate seal, the day and year first hereinabove written.

PANAMA RAIL ROAD COMPANY,
By J. EDWARD SIMMONS, *President*.

Attest:

E. A. DRAKE, *Secretary*.

PACIFIC MAIL STEAMSHIP COMPANY,
By CHARLES H. TWEED, *President*.

Attest:

JOS. HELLEN, *Secretary*.

STATE OF NEW YORK,

County of New York, ss:

On this 11th day of June, 1902, before me personally appeared J. Edward Simmons, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Panama Railroad Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the president of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed by him and sealed in behalf of the said corporation by authority of its board of directors; and the said J. Edward Simmons acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings Co.,
Certificate filed in New York County, N. Y.

STATE OF NEW YORK,

County of New York, ss:

On this 11th day of June, 1902, before me personally appeared E. A. Drake, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Panama Railroad Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the secretary of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed and sealed by him in behalf of the said corporation by authority of its board of directors; and the said E. A. Drake acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings Co.,
Certificate filed in New York County, N. Y.

STATE OF NEW YORK,

County of New York, ss:

On this 11th day of June, 1902, before me personally appeared C. H. Tweed, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Pacific Mail Steamship Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the president of said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed by him and sealed in behalf of the said corporation by authority of its board of directors; and the said C. H. Tweed acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,
Notary Public, Kings Co.,
Certificate filed in New York County, N. Y.

STATE OF NEW YORK,

County of New York, ss:

On this 11th day of June, 1902, before me personally appeared Joseph Hellen, personally known to me to be the individual who subscribed the within instrument for and in behalf of the Pacific Mail Steamship Company, who, being by me duly sworn, did depose and say: That he resided in New York City; that he was the secretary of the said corporation; that he knew the corporate seal of the said corporation; that the seal affixed to the said instrument was such corporate seal, and that the said instrument was signed and sealed by him in behalf of the said corporation by authority of its board of directors; and the said Joseph Hellen acknowledged the said instrument to be the act and deed of the said corporation, and that the same was executed by said corporation freely and voluntarily for the purposes therein mentioned.

[Notarial seal.]

JOHN J. TIERNEY,

Notary Public, Kings Co.

Certificate filed in New York County, N. Y.

[Extracts from minutes of regular meeting of the board of directors of the Panama Railroad Co., held at the office of the company, No. 24 State street, New York, on Thursday, June 12th, 1902.]

Resolved. That the contract and supplemental agreement between the Pacific Mail S. S. Co. and this company, which have been approved by counsel and now submitted to this board, be, and the same are hereby, ratified, approved, and adopted, said agreements being as follows:

* * * * *

And the president and secretary of this company are hereby fully authorized and empowered to execute, acknowledge, and deliver, for and in behalf of this company, and under its corporate seal, the agreements aforesaid, together with the several charter parties and stipulations provided by said agreements to be made and delivered at this time or any time hereafter by this company; said charter parties and stipulations to be in such form and terms as to the executive committee may seem proper, in order to carry out said agreements; and said officers are also fully authorized and empowered to do all acts and things which they may deem necessary or proper to effectuate the completion of said agreements and the full establishment of the same.

I hereby certify the foregoing to be a true and correct copy of the resolution adopted by the board of directors at its meeting held on June 12th, 1902, duly called and held.

Witness my hand and official seal this 12th day of June, 1902.

[Seal of Panama Railroad Co.]

E. A. DRAKE, *Secretary.*

[Extract from the minutes of a special meeting of the board of directors of the Pacific Mail Steamship Co., held at No. 120 Broadway, in the city of New York, on Wednesday, June 11, 1902, at 3 o'clock p. m. A quorum being present and assenting.]

Resolved. That the agreement and the supplemental agreement between the Panama Railroad Company and this company, which are now submitted to the board, be and the same are hereby approved, and that the president and secretary of this company be and they are hereby authorized to execute said agreement and supplemental agreement under the corporate seal of this company, and to acknowledge and deliver the same, and to execute, acknowledge, and deliver charter parties as prescribed in said agreement, and to do such other acts and things as they may deem necessary and proper to carry out said agreement and supplemental agreement.

Attest:

A true copy.

[Seal of Pacific Mail Steamship Co.]

JOS. HELLEN, *Secretary.*

Mr. CROMWELL. It is a profitable contract to this company.

Mr. ESCH. In that connection, have you contracts with the South American Steamship Company?

Mr. CROMWELL. We have contracts, but not of such a permanent character. They are terminable on short notice. They are current business contracts.

The CHAIRMAN. I would be glad if you would explain some of

the environment of the Pacific mail contract. The contract is between the Panama Railroad Company and the Pacific Mail Steamship Company; is that it? They are the parties to the contract?

Mr. CROMWELL. Yes, sir.

The CHAIRMAN. Is the Pacific Mail Steamship Company a part of any railroad company or owned by any railroad company?

Mr. CROMWELL. We have no direct knowledge on that subject, Mr. Chairman. It is a matter of general information, however, that the majority of the stock of the Pacific Mail Steamship Company is held by the Union Pacific. It was formerly held by the Southern Pacific, but is now controlled by the Union Pacific Railroad Company.

The CHAIRMAN. Who, in this city, represents the Union Pacific Railroad Company?

Mr. CROMWELL. The president of that corporation, Mr. Harriman.

The CHAIRMAN. You say, then, that the Panama Railroad Company has no relationship with any transcontinental railway?

Mr. CROMWELL. None; on the contrary, we actively compete with them. In former years such a relation did exist, Mr. Chairman, but for a number of years no relation has existed with a transcontinental railroad. In 1893 we broke with them absolutely and have fought them ever since.

The CHAIRMAN. When did that cease?

Mr. CROMWELL. In 1893.

Mr. SIMMONS. We then began to operate our own lines on the Atlantic and on the Pacific.

The CHAIRMAN. In 1893 the relationship that had existed between the Panama Railroad Company and other railroad companies ceased?

Mr. CROMWELL. It did, and never has been resumed.

The CHAIRMAN. You did have a contract with the Pacific Mail Steamship Company?

Mr. CROMWELL. Yes, sir.

The CHAIRMAN. Did that give any exclusive privileges on the Pacific side?

Mr. CROMWELL. It did.

The CHAIRMAN. Between what points?

Mr. CROMWELL. Panama and San Francisco.

The CHAIRMAN. Did it include points on the South American coast?

Mr. CROMWELL. Not below Panama.

The CHAIRMAN. In a general way how have rates compared between New York and Panama and New York and San Francisco?

Mr. CROMWELL. They have been lower under the new arrangement.

The CHAIRMAN. How much difference was there between the rate from New York to Panama and from Panama to San Francisco?

Mr. CROMWELL. I can not give you the exact rate.

The CHAIRMAN. You are not prepared to answer that question?

Mr. CROMWELL. I can answer in a general way.

The CHAIRMAN. How do those rates compare, in a general way?

Mr. CROMWELL. They are lower than they were.

The CHAIRMAN. What is the basis of making that rate—your basic point?

Mr. CROMWELL. Our basic point is to make a rate that will take the business away from the transcontinental railroads, and we have to make a rate somewhat lower—from 20 to 30 per cent.

The CHAIRMAN. Of the rates from New York to Panama, or New York to San Francisco, which is the lower rate?

Mr. CROMWELL. There is really no comparison between the two.

The CHAIRMAN. Have you any exclusive contract between the Panama Railroad Company and any other Pacific side steamship company to other points than San Francisco?

Mr. CROMWELL. The only exclusive contracts we have is with the Pacific Mail Steamship Company, and notice of the termination of that contract has been given. That contract will thus expire in July of this year.

The CHAIRMAN. Given by the Commissioners?

Mr. CROMWELL. No; the notice was given by this corporation. The contract with the Pacific Mail contains a provision as follows:

Fourth. It is mutually and expressly understood and agreed that if at any time during the continuance of said traffic agreement a majority of the shares of the railroad company or its railroad property shall be purchased or acquired by the United States of America, or by any person or persons representing it or acting in its behalf, then either party hereto may give notices in writing to the other of its intention to terminate said traffic agreement, and at the expiration of six months from the giving of such notice the said traffic agreement and the previous articles of this agreement shall terminate, come to an end, and be utterly null and void henceforth, anything in said traffic agreement or herein contained to the contrary notwithstanding.

The CHAIRMAN. Under that clause this notice was given?

Mr. CROMWELL. Yes, sir. Upon the request of the majority of the stockholders of this company the board of directors exercised the reserve right under that contract, and gave notice of the termination. That notice has been given in writing, and the six-month period is now running.

Mr. TOWNSEND. Now, Mr. Cromwell, a long time ago you had some arrangement, or the road had some arrangement, with transcontinental roads. Do you know when that terminated?

Mr. CROMWELL. In 1893 it had the arrangement, to which I have already referred, with the Pacific Mail Steamship Company, which itself had contract with the transcontinental lines.

Mr. TOWNSEND. What was the arrangement before that?

Mr. CROMWELL. It was in substance a guarantee by the Pacific Mail to the Panama Railroad Company of a fixed sum per month to cover the use of a fixed space (a rental-space contract), by which the Pacific Mail agreed to pay for a certain space in each ship on the tonnage of each ship whether they filled it or not.

Mr. TOWNSEND. You had that arrangement simply with——

Mr. CROMWELL. With the Pacific Mail Steamship Company.

Mr. TOWNSEND. Why did you terminate that contract in 1893?

Mr. CROMWELL. It expired by limitation.

Mr. TOWNSEND. You never have renewed it?

Mr. CROMWELL. It expired by limitation in 1893, and we did not renew it.

Mr. CROMWELL. The contract was originally made in 1878, and was existing when present board of directors came into office. It ran until 1893, when it expired by limitation, and this company did not renew it, but entered into other arrangements. Since that time (1893) this

company has had no division of rates or relation with any other railroad company or any other railroad connection.

Thereupon, at 12.40 o'clock p. m., the committee adjourned to meet again at 1.45 p. m.

AFTERNOON SESSION.

Committee called to order at 1.45 p. m.

The same members present as at the morning session.

Mr. TOWNSEND. Now, Mr. Cromwell, you were active in assisting in the transfer of the canal company property to the United States, were you not?

Mr. CROMWELL. Yes, sir. I consummated the transfer as general counsel of the canal company.

Mr. TOWNSEND. At that time was the United States furnished with an itemized list of the property that was purchased by it?

Mr. CROMWELL. It was furnished with a schedule of all the personal property of the canal company on the Isthmus of Panama, numbering about 15,000 items.

Mr. TOWNSEND. Filed with the War Department, I suppose?

Mr. CROMWELL. That was filed with the Secretary of State.

Mr. TOWNSEND. When was that, do you remember?

Mr. CROMWELL. That was in the spring of 1902.

Mr. TOWNSEND. When did you commence your negotiations with the United States for the sale of the railroad; about when?

Mr. CROMWELL. There never was any negotiation for the sale of the Panama Railroad by itself. The transaction which is known as the sale from the New Panama Canal Company to the United States comprised the Panama Canal concession, the partly constructed canal, the plant, machinery, real estate, and divers personal property of the New Panama Canal Company, together with 68,887 shares of the capital stock of the Panama Railroad Company.

Mr. TOWNSEND. All of the shares they held?

Mr. CROMWELL. All the shares they then held.

Mr. TOWNSEND. That is all the United States holds now excepting the 101?

Mr. CROMWELL. Not quite that. When the negotiations began the Panama Canal Company did not own quite as many shares as they subsequently gave to the Government. The transaction with the Government was based upon a smaller number of shares—about 350. The canal company had acquired a few other shares by purchase, and the company and myself considered it liberal to give those to the United States in addition to the amount which the canal company originally acquired. These additional shares were also delivered to the United States on the final transfer, and are included in the 68,887.

Mr. TOWNSEND. Did you have negotiations with Mr. Walker and other members of the Commission for the purchase of this property?

Mr. CROMWELL. Strictly speaking, the negotiations were under the direction of the President of the United States himself.

Mr. TOWNSEND. That was carried on, to some extent, through the Commission, was it not?

Mr. CROMWELL. The Commission obtained very valuable data, and the offer of the canal company was addressed to them, but action thereon, of course, rested with the President.

Mr. TOWNSEND. This inventory of stock was made in the spring of 1902. When was the transfer made, at what time?

Mr. CROMWELL. Concluded May 7, 1904.

Mr. TOWNSEND. What was done between the filing of the inventory in the spring of 1902 and the transfer of property in 1904 relative to these negotiations?

Mr. CROMWELL. How much do you want me to state?

Mr. TOWNSEND. What remained to be done after the inventory was filed in 1902 to complete the transfer?

Mr. CROMWELL. Everything. The United States had not accepted the proposal of the canal company in 1902.

Mr. TOWNSEND. When did they accept?

Mr. CROMWELL. You will recall that the President himself had not been authorized by Congress to deal with the question until the Spooner law of June 28, 1902. You will remember, also, that that law made the choice of the Panama route and purchase of Panama Canal subject to the negotiation and ratification of a treaty with Colombia. A treaty was first made with Colombia, but was not ratified by that country. Subsequent to the independence of Panama a treaty was made with that nation, but not exchanged until February 26, 1904. You will remember, also, that the law of June 28, 1902, further provided that the choice of the Panama route and the purchase of Panama Canal should not be consummated unless the titles were first approved by the President, and that took a year or so more of examination, etc.

Mr. TOWNSEND. So that the canal company did not feel that it was obligated to make these transfers to the United States until it was actually consummated?

Mr. CROMWELL. No, sir; that is right, and until it was paid for. Just as the United States did not consider that it was obligated to pay interest on the 40 millions pending the conclusion. Interest on \$40,000,000 from January 11, 1902, to April 1, 1904, would have amounted to over \$3,300,000, even at a rate as low as 4 per cent.

Mr. TOWNSEND. There was something left to be done?

Mr. CROMWELL. And the actual fact is that it was not paid for until two months after the property was completely delivered on May 7, 1904, but that delay was agreed to by us.

Mr. TOWNSEND. Did you file any subsequent statement or inventory with the Government after the one of the spring of 1902?

Mr. CROMWELL. No, sir.

Mr. TOWNSEND. Did you make a detailed statement to them as to the condition of the property?

Mr. CROMWELL. No other was asked for or given.

Mr. TOWNSEND. So that they did not inquire what had been done with this property between the spring of 1902 and the spring of 1904 when the sale was actually made?

Mr. CROMWELL. Yes, sir; so far as the Canal Company's property and operations were concerned, the United States Government was in daily observation of the work that was progressing. This was done through the appointment of the special agents of the Government, sent to and located upon the Isthmus for that very purpose, and to whom each day accounts of the work were furnished and under whose eye all the construction work was progressing. So far

as the railroad property and operations were concerned, the annual reports of the company, printed copies of which we have furnished to you, were furnished to the Isthmian Canal Commission. Besides this, their Isthmian agents had general knowledge of the railroad operations on the Isthmus—

Mr. TOWNSEND. The only report they had was the report of December 31, 1903?

Mr. CROMWELL. No, sir. They also had those of 1901 and 1902.

Mr. TOWNSEND. They had that prior to the inventory of 1902?

Mr. CROMWELL. Yes, sir.

Mr. TOWNSEND. So that the only thing that you presented that they had after the inventory of 1902 was this report of December 31, 1903?

Mr. CROMWELL. And the annual report of 1902.

Mr. TOWNSEND. December, 1902?

Mr. CROMWELL. Yes.

Mr. TOWNSEND. They had that?

Mr. CROMWELL. That, and that of December, 1901, also, as well as many preceding ones and much general data, which I can not of course enumerate, and which they obtained in their own way.

Mr. TOWNSEND. The United States Government kept very close track?

Mr. CROMWELL. Yes, sir. They took cognizance of the whole affair through their representatives on the Isthmus and through the Commission; kept track of the current conduct of business of the railroad company and of the canal construction in progress.

Mr. TOWNSEND. That proposition of the Canal Company in 1902, if it can be considered a proposition, to sell to the United States, included all the assets of the company, did it?

Mr. CROMWELL. All the property of the Canal Company on the Isthmus, together with these shares of the railroad company.

Mr. TOWNSEND. It was not intended to convey any property that was not on the Isthmus?

Mr. CROMWELL. The best statement is in the offer itself, and I would not venture to vary from it. The Canal Company addressed to the president of the Isthmian Canal Commission two cable messages which embraced the so-called offer. The first cable is dated January 9, 1902, and is as follows: "Admiral J. G. Walker, President Isthmian Canal Commission, Corcoran Building, Washington. The New Panama Canal Company declares that it is ready to accept for the totality without exception, of its property and rights on the Isthmus the amount of \$40,000,000, the above offer to remain in force up to March 4, 1903. (Signed) Bo, President of the Board." And a further cable on January 11, 1902, as follows: "Admiral J. G. Walker, President Isthmian Canal Commission, Corcoran Building, Washington. Offer of sale of our property applies also to all of our maps and archives in Paris. (Signed) Bo, President of the Board."

Mr. TOWNSEND. You considered that any property that you might have in New York or elsewhere, except in Paris or on the Isthmus, was not to be conveyed?

Mr. CROMWELL. That is right; but it included the Panama Railroad shares which were held in Paris, although not specifically mentioned in the offer.

Mr. TOWNSEND. Did you state to the representatives of the United States Government that you had property that was not included—not located—at those places, at the Isthmus or Paris?

Mr. CROMWELL. We had our cash assets at both places. Of course it goes without saying that such items were not included.

Mr. TOWNSEND. Your cash assets on the Isthmus were to go to the United States?

Mr. CROMWELL. No, sir: the Canal Company of course did not sell cash assets.

Mr. TOWNSEND. You did not include cash as assets?

Mr. CROMWELL. No, sir.

Mr. TOWNSEND. But you include the bonds that you bought up and turned into the Treasury as assets?

Mr. CROMWELL. Permit me to say, Mr. Townsend, that the subject to which you now refer is the matter of the Panama Railroad and not that of the Canal Company. Of course the Canal Company had nothing to do with bonds of the railroad company, for that was a matter under the jurisdiction of the railroad company alone.

Mr. TOWNSEND. You sold the shares of the Panama Railroad?

Mr. CROMWELL. Simply the shares; yes, sir. We did not, of course, sell the Panama Railroad, for that property was owned by the Panama Railroad Company itself. But we sold 68,886 shares out of a total issue of 70,000 shares.

Mr. TOWNSEND. When you got ready to declare your dividend in 1903, did you consult the United States about it?

Mr. CROMWELL. In the year 1903? No, sir.

Mr. TOWNSEND. You did not say anything?

Mr. CROMWELL. Oh, no; there was no duty or occasion to do so. The United States had not yet acquired the property nor paid anything on it; nor did it pay current interest on the \$40,000,000.

Mr. TOWNSEND. Now, do you know what the custom has been in making out the reports of assets of the road as to depreciating the value of the road, and property of the road, rolling stock, or anything else? Have you made depreciations for that?

Mr. CROMWELL. Do you mean allowances in the annual report?

Mr. TOWNSEND. Yes; did you have a depreciation fund?

Mr. DRAKE. We keep the property up as we go along. We spend part of our earnings each year in maintaining the property. Most of the equipment is twenty-five or thirty years old, but it has been kept in a serviceable condition all that time out of current earnings.

Mr. TOWNSEND. Whenever you have repaired anything have you put it in as extra capital?

Mr. CROMWELL. No, sir. The company has maintained its plant, comprising the roadbed, rolling stock, equipment, and the like, out of the current earnings of the company, charging this to operating expenses and not charging it to the capital account. Permanent improvements, such as the La Boca pier, which cost \$2,250,000, was, of course, credited to the capital account, not as current repairs.

Mr. TOWNSEND. You did not include that cost in the permanent improvements?

Mr. CROMWELL. Certainly; all of the La Boca improvement. Also for the erection of a light plant at Colon, an ice-making plant at

Colon, the new tracks for the Colon yard, improvements to Pier No. 2 at Colon, new coal lighters, and items of that permanent character increasing the capital investment.

But the current maintenance of the rolling stock is charged as an operating expense and not charged to the capital account. The permanent items I have referred to are additions to the property itself—new construction—not merely current repairs.

Mr. TOWNSEND. I notice an item in your statement showing disposition of your surplus earnings, the report of November 30, 1904, in which you say that 693 7 per cent sterling mortgage bonds in voluntary sinking fund canceled, \$693,000 which constitutes one of the items which goes to make up the \$4,186,314. Now, do those bonds draw interest: do you allow for interest on those bonds when you hold them in the treasury?

Mr. CROMWELL. These bonds were not continued in the treasury: they were canceled on the maturity of the sterling mortgage bond issue in 1897.

Mr. TOWNSEND. Well, you carried them as a part of your assets?

Mr. CROMWELL. Yes, we carried them as a part of the assets until the time we canceled them.

Mr. TOWNSEND. Well, while you were carrying them as a part of your assets did you allow them to draw interest?

Mr. CROMWELL. Yes, sir; because these bonds which came into the treasury represented earnings which were used to buy the bonds with, just as we might buy Government bonds. We had taken our cash in the years preceding, and had purchased these bonds instead of buying Government bonds, and they remained in our treasury as current assets in place of the cash which had been used to purchase them. The cash had been derived from the earnings. The company took its earnings and bought its own bonds as the best method of investing its surplus earnings. These bonds, therefore, were an investment held as treasury assets in place of the earnings which had been applied to purchase them. Therefore the interest paid upon these bonds was properly credited, just as you would credit interest if they were Government bonds purchased with the earnings of the company. They matured in 1897 and we then canceled them, thus reducing the capital indebtedness of the corporation. This is one way we used the accumulated earnings.

Mr. TOWNSEND. Now, supposing that on November 30, 1904, you were to declare a dividend, could you on that showing make a dividend in excess of the cash that you had on hand?

Mr. CROMWELL. Oh, yes; we could have done so, but did not do so.

Mr. TOWNSEND. How would you do that, Mr. Cromwell?

Mr. CROMWELL. The question of dividends, as you know, does not relate merely to cash that you happen to have in the vault. The dividend is payable out of the fund representing net earnings, net earnings only. Of course you can not pay a dividend out of the proceeds of bonds or from the sale of property, or from anything that impairs the "corpus" of the property. The dividend fund is derived from the accumulated earnings. Now, we had on November 1, 1896 (not to go back too far, but to have a convenient date), in the profit and loss account representing accumulated earnings, \$587,465.79.

Mr. TOWNSEND. December 31, 1896?

Mr. CROMWELL. Yes, sir. On December 31, 1897, the next year, we had \$2,713,940.70. Taking up the report for the following year, December 31, 1898, you will find we began with an accumulated profit of \$2,713,920.70. In that year we did not declare any dividend, but accumulated our earnings, and at the end of the year 1898 we had a balance of \$2,971,448.51. The next year, December 31, 1899, we started with this balance that I have just mentioned as of December 31, 1898, to wit, \$2,971,448.51. That year we did not pay a dividend, but again accumulated our earnings, and at the end of the year had a surplus of \$3,390,398.94. The succeeding year, December 31, 1900, we started with that balance of December 31, 1899 (\$3,390,398.94). In that year we did not pay a dividend, but again accumulated our earnings, and at the end of the year had a surplus of \$3,867,831.69. You will observe, gentlemen, how this fund was constantly growing. The next year, December 31, 1901, we started with that balance of \$3,867,831.69. In that year we again followed the same practice of accumulating our earnings and did not pay a dividend, and the surplus thus grew at the end of that year (1902) to be \$4,110,345. In the year ending December 31, 1902, we started with the balance of \$4,110,345, and in that year we paid two dividends, all fixed charges and operating expenses of every character, reduced our mortgage debt \$140,000, and still had a surplus of \$4,201,587.09.

Mr. TOWNSEND. How much was your dividend of that year?

Mr. CROMWELL. We paid two dividends, amounting to 4 per cent. The next year, December 31, 1903, we started with said surplus as of December 31, 1902, namely, \$4,201,587.09. That year we paid three dividends, aggregating 8 per cent; paid all fixed charges and operating expenses of every character; reduced bonded indebtedness \$140,000, and still had a surplus of \$4,191,929.91. We now come down to the year 1904, and I present you a statement prepared by the officers in advance of the publication of the annual report, which will only come out next April, and which shows that for the eleven months of the year 1904, our net earnings are \$561,315.95, over and above all fixed charges, operating expenses, and reduction of bonded debt \$140,000. Allusion has been made in some publications to the non-payment of dividends by the company during the years 1893 to 1900, and it has been asserted that the indications were that the company was in an unprofitable state. That is a fallacy which those who do not know the condition of the company might readily fall into, but which it needs only the slightest inspection of the condition of this company to show is an error. On the contrary, in 1896, the net earnings were, after bond redemptions, etc., \$545,684.53.

In 1897 they were \$409,873.37. In 1898, \$266,746.73; in 1899 they were \$295,231.77; in 1900, \$446,764.68, and yet we did not pay dividends during this time as you see; in 1901, \$259,590.12; in 1902, \$295,384.40; in 1903, \$401,068.30; in 1904, for the eleven months, \$561,315.95. Those are net earnings. The treasurer has prepared and I hand you a statement showing this more in detail:

EXHIBIT 6c.

Statement showing net earnings, 1896-1904, over and above redemption of bonds, payment of all operating expenses, and fixed charges.

1896	\$545,684.53
1897	409,873.37
1898	266,746.73
1899	295,231.77
1900	446,764.68
1901	259,590.12
1902	295,384.40
1903	401,068.30
1904 (11 months) ^a	561,315.95
	<hr/>
	3,481,659.85
First-mortgage bonds redeemed	981,000.00
	<hr/>
November 1, 1904	4,462,659.85
	<hr/>
April 1, 1904	3,096,601.49
First-mortgage bonds redeemed	981,000.00
	<hr/>
April 1	4,077,601.49

The profit and loss account, which on December 31, 1896, was \$587,465.79, had to its credit on December 31, 1903, \$4,191,929.91, and on November 30, 1904, \$4,578,245.86. This is after the payment of all operating expenses, all payments to the Republic of Colombia for the concession installment of \$250,000 per annum, all dividends that were declared during that period; and further, after reducing the capital indebtedness of the company to the extent of \$981,000 first-mortgage bonds. By the provisions of the 4½ per cent mortgage bond there is the requirement on the part of the company not only to pay interest, which of course we do, but also each year to apply \$150,000 as a sinking fund. The company has thus paid, since this mortgage was issued in 1897, \$981,000 in cash in reduction of that \$1,000,000 mortgage. And in addition to that has to-day in its treasury \$647,000 other of those same bonds.

Mr. TOWNSEND. What do you mean by the annual sinking-fund drawing?

Mr. CROMWELL. By the provisions of the mortgage of 1897, under which the 4½ per cent bonds were created, there is a requirement that the Panama Railroad Company shall deposit with the trustees of that mortgage in August of each year \$150,000 cash to be applied by the trustees of that mortgage, after public advertisements, in the redemption of as many bonds as that sum will realize. That practice has been invariably pursued by the company, the money has always been paid, and the trustees of that mortgage have publicly advertised for bids at the lowest price. Those offerings have come in almost invariably at about 104 to 105 per cent, and the money has been applied in the retirement and redemption of those bonds and accrued interest; and the bonds thus paid, redeemed, and canceled.

The CHAIRMAN. These annual payments that you have been making to the Government of Colombia were consolidated into one lump sum for a number of years. You issued the subsidy bonds for that?

^aApril 1, \$176,257.59.

Mr. CROMWELL. Yes, sir; in 1880.

The CHAIRMAN. When you liquidate one of those subsidy bonds, or purchase one of those bonds, you credited that to the annual accumulation?

Mr. CROMWELL. No, sir; I am very glad you asked that question, because it is a very pertinent one.

The CHAIRMAN. When you paid one of those bonds, or purchased one of those bonds, it did not go into the fund called the accumulated earnings?

Mr. CROMWELL. When we paid them off at maturity it went into the ordinary operating expense exactly as if we had paid a clerk or any other operating expense, because it was a payment of rental. When we purchased them out of surplus as a treasury investment it went into the profit and loss account.

The CHAIRMAN. Not at any time a credit?

Mr. CROMWELL. No, sir; not bonds paid off. That is a rental account. I would like to have you understand why we did not charge to capital account the subsidy bonds paid off. The subsidy bonds, to which you are now referring, were issued in 1880 solely at the request of the Government of Colombia to amortize in advance for a period of thirty years the annual subsidy payment of \$225,000 required to be paid directly to Colombia. The annual payment due from this company of the Government of Colombia under the concession is in the nature of a rental charge.

The CHAIRMAN. To be paid out of current earnings?

Mr. CROMWELL. Yes, sir; they were issued for the convenience, and for the convenience only, of the Republic of Colombia: not for money received or borrowed by this corporation. The corporation in 1880 issued and delivered to the Republic of Colombia \$3,000,000 of these so-called subsidy bonds, or notes (not secured by mortgage), with the provision that these bonds should only be redeemable at the rate of about \$225,000 per annum, to be drawn by lot to that amount; the amount thus redeemed annually being no more than the precise amount which the company was bound to pay to the Government of Colombia in pursuance of the provisions of the concession. So that it was no increase of the rental subsidy of this company one way or the other; it merely represented the annual payments to fall due up to 1908, and enabled Colombia, through the sale of these bonds, to get the moneys in advance. It is not, therefore, an obligation of this company in the sense that it is for money borrowed. It was a convenient form to Colombia for the payment of the subsidy as it fell due, from year to year, at the rate of \$225,000 per annum. The subsidy bonds represent precisely that amount of annual rental charge which this company was under obligation to pay to the Government of Colombia annually, up to 1908—no more, no less. The annual drawings and payments have occurred from 1880 down to this time, and always has been performed with precision and satisfaction. The total original issue of \$3,000,000 has now, by the annual payments I have described, been reduced to \$715,000. This balance of bonds run off at the rate of about \$225,000 per annum up to 1908.

The CHAIRMAN. How many of these bonds, if any, have been taken in and are now in the treasury of the company uncanceled?

Mr. CROMWELL. We have deemed it prudent to invest some of our earnings in these bonds.

The CHAIRMAN. How many?

Mr. CROMWELL. We have thus purchased and own \$126,000.

The CHAIRMAN. They are held in the treasury of the company?

Mr. CROMWELL. Yes, sir; as a free asset.

The CHAIRMAN. Are they carried in the current assets?

Mr. CROMWELL. They are the free assets purchased with accumulated earnings and are a part of the \$4,000,000 surplus fund.

The CHAIRMAN. In that connection that was a charge against the current expenses of the company?

Mr. CROMWELL. No, sir; not unless drawn for redemption, for it is not due and payable until so drawn. In the meantime it is not due. Permit me to make further explanation. Your question is very proper, because it brings out the truth. If these \$126,000 subsidy bonds represented a present indebtedness of the company for money had and received then we could not carry them in the accumulated surplus fund. But these subsidy bonds do not represent a present indebtedness. They are only evidence of an indebtedness to arise in the future and only due by this company when they are drawn at the rate of \$225,000 per annum as the equivalent of that amount of subsidy or rental falling due annually. They are not drawn until the year ends, and when the year lapses they are drawn and paid off to the extent of \$225,000, just exactly the same as that amount of cash would otherwise, at that identical time, have been payable to Colombia under the concessions. We had, for illustration, \$312,000 of those bonds which we had purchased with the surplus earnings. But while we held them in the treasury \$186,000 were drawn and paid off. Therefore, we paid them, canceled them, and took them out of this \$312,000 investment, because the time had arrived when we were bound to pay the \$186,000 through the annual drawings. This reduced our investment to the \$126,000 referred to. In respect of these \$126,000 we have no present obligation to pay them, because the rental charge which they were issued to represent is not yet matured—not yet due.

Mr. TOWNSEND. Then you take care of that in your surplus fund?

Mr. CROMWELL. Take care of that out of accumulated earnings. The subsidy bonds never have represented and do not represent a present indebtedness or moneys received. Of course they are an obligation of the company; but they are a liability which the company is only bound to pay in the manner provided in the bond and for the purpose of paying the subsidy rental as it falls due and not otherwise. The subsidy bonds represented a rental charge payable annually and not otherwise. So that these subsidy bonds, again I say, represent only a rental charge upon this property, which subsidy charge has rested there since 1867. But I again repeat that the subsidy bonds do not represent any money that has ever been received by the company in respect of them. They represent precisely what I have said, the rental obligation under the concession to Colombia, and it is so graduated in amount of annual payment that the annual drawings of \$225,000 represents precisely that amount of money which, at the end of each succeeding year, we otherwise would be bound to pay to Colombia by check. For their accommodation we pay the rental by drawing this bond, instead of by check. But in dollars and cents it does not become an obligation upon this company until the annual rental charge falls due and is then discharged in the form of paying off the bonds instead of by check.

Now let us look at the subject of this surplus fund from another standpoint. On December 31, 1901, the accumulated net earnings of the company were \$4,110,345. I ask you, gentlemen, to kindly follow me with the annual report for 1902. The first year succeeding that balance—and I shall try to make this subject as clear as a simple rule of arithmetic—on December 31, 1901, balance of surplus account was \$4,110,335. During the next year, 1902, what did we make? In that year we earned \$435,384. Out of which we reduced our capital indebtedness by buying, redeeming, and canceling \$140,000 of our 4½ per cent bonds.

In that year it paid a 4 per cent dividend of \$280,000. You will observe therefore that the dividend of \$280,000 was less than the net profit of \$295,000, after reducing the mortgage debt \$140,000. Thus it brings us at the end of that year to a balance of profit and loss account of \$4,201,587.09, which, after paying the dividend and further reducing the mortgage debt \$140,000, still left us at the end of the year 1902 a larger balance in the fund than we had at the end of the year 1901. We now come to December 31, 1903. That year we started, as I have just shown, with a balance \$4,201,587.09, which I again observe was more than we had the year before after payment of dividends during that year, and after reducing our mortgage debt \$140,000. We paid three dividends, aggregating 8 per cent in that year, but after paying those dividends and reducing our bonded indebtedness during the year \$140,000 more, we still had at the end of the year a surplus of \$4,191,921.91, being larger than we had December 31, 1901, when it was \$4,110,345.

Now, coming down to April 1, 1904, the officers report that the net earnings from December 31, 1903, to April 1, 1904, were \$176,257.59 over and above all fixed charges and operating expenses.

The CHAIRMAN. Were the Commissioners members of the board of directors at that time?

Mr. CROMWELL. No, sir; because the United States had not received the stock at that time.

Adding, therefore, to the surplus of December 31, 1903 (which was \$4,191,929.91), the earnings up to April 1, 1904, \$176,257.59, you have a total of \$4,368,187.50.

And after the payment of the dividend of 2½ per cent declared out of accumulated earnings up to April 1, 1904, and paid on May 3, 1904, \$175,000, we still have a surplus fund larger than that of December 31, 1901, to wit, \$4,193,187.50, as against \$4,110,345 December 31, 1890. The dividends paid in 1902, 1903, and the spring of 1904, amounted altogether to 14½ per cent, namely, \$1,015,000; so that between December 31, 1901, and May, 1904, the total amount paid in dividends was but \$1,015,000. Now, putting aside entirely the question of the accumulated earnings fund of over \$4,000,000, every item of which is on the books before you to be examined at your pleasure.

It should be borne in mind that this balance of surplus fund is after (and not before) payment of dividends during the same period. The dividends from 1896–1904 amounted to \$1,155,000, so that the surplus fund was over \$5,000,000—the net, after dividends, being over \$4,000,000.

Between 1896 and April 1, 1904, the net earnings (as per Exhibit 6c) amounted to.....	\$4,077,601.49
Of which there was applied for first mortgage bonds redeemed	\$981,000
And dividends.....	1,155,000
	2,136,000.00
Net earnings.....	1,941,601.49

Thus the earnings for these eight and a quarter years were sufficient to pay the dividends thrice over, independent of prior accumulations.

Putting aside entirely the fact that there was this \$4,000,000 surplus fund, and addressing our minds solely to the question of what were the earnings of this company during the same period, December 31, 1901, to April, 1904, we also find something of interest.

For 1902 our net earnings over and above operating expenses, including the \$250,000 to Colombia, were \$435,345. In the next year, 1903, they were on the same basis \$541,068; and for the first quarter of 1904 (April 1) the net earnings of this company were, on the same basis, \$176,257, which you will see makes \$1,152,670, which is in excess of the dividends paid within the same period (\$1,015,000) and quite independent of the fact that we had nearly \$4,000,000 more in the surplus fund. These net earnings of \$1,152,670 went, of course, into the treasury of the company, subject to the uses of the corporation, as any other net earnings would be subject.

The CHAIRMAN. Now, going back to that \$4,000,000 of bonds; when was that first issued?

Mr. CROMWELL. You mean the mortgage?

The CHAIRMAN. Yes.

Mr. CROMWELL. In 1897.

The CHAIRMAN. They were mortgage bonds?

Mr. CROMWELL. Yes, sir.

The CHAIRMAN. How long were they to run?

Mr. CROMWELL. Twenty years.

The CHAIRMAN. Whose indebtedness was that?

Mr. CROMWELL. This corporation; the Panama Railroad Company.

The CHAIRMAN. Who was bound for their payment?

Mr. CROMWELL. The Panama Railroad Company.

The CHAIRMAN. How could a railroad pay its bonded debt, except by marketing its capital or by appropriating its gross earnings?

Mr. CROMWELL. It could not, except one way or the other. That statement is correct, but a dividend fund is entirely independent of the question of indebtedness or obligations of the company.

The CHAIRMAN. It is a kind of a process of watering stock.

Mr. CROMWELL. Of course the relation to the corporation of a stockholder is entirely different from the relation of a creditor to the company. There is a fundamental difference between the legal status of the two interests.

The CHAIRMAN. That is the point I was unable to see. You and I differ as to the relationship a stockholder bears to the corporation.

Mr. CROMWELL. The universal rule, I think, is that the stockholder is entitled to have the net earnings of the company treated as a dividend fund, subject of course to the discretionary use thereof by the board of directors for the current needs of the corporation.

Mr. Esch. There is one feature of this investigation that is pertinent just now, Mr. Cromwell, and that is the securing of control of the outstanding stock of the railroad company.

Mr. CROMWELL. That is, indeed, a very important question.

Mr. Esch. We would like to get what information we can as to the best method in which that shall be obtained. You probably remember that Secretary Taft has made two recommendations, either acquisition of the stock, or, secondly, the lease of the railroad by the Panama Canal Commission. Have you any suggestions to make as to either remedy? You, perhaps, know that a bill has already been recommended from the committee, and a discussion has already been commenced in the House on a bill to condemn the outstanding stock.

Mr. CROMWELL. I do, sir.

Mr. Esch. We want to know, if you feel free to express your opinion, as to what would be the best method for the Government to get absolute control; or whether it could be done in another way?

Mr. CROMWELL. I am in entire sympathy with the Government upon this subject, and am aiding it. I consider it to the interest of the United States to acquire ownership of all the capital stock of this company, and I also consider it to the interest of the small minority to dispose of their holdings at par and be relieved of the uncertainties of their investment. In my judgment the Panama Railroad Company should be maintained as a separate corporation, whether or not its management be reduced in force. It has a valuable charter, a special charter granted by the State of New York in 1849; one of the very few charters in the United States which permits a domestic corporation to own and operate a railroad in a foreign country. This charter gives that power. It also gives power to operate a steamship line in connection with the railroad line. The Panama Railroad Company also owns a most valuable concession granted by Colombia, officially recognized by the Republic of Panama, and having about sixty years yet to run. This concession covers privileges and grants of enormous benefit to the corporation, and consequently to its stockholders—not only from a material point of view, but for national strategic reasons. I esteem it of high consequence to the United States that the legal entity of the Panama Railroad Company be maintained, and that the concession be preserved in its original integrity. In my opinion the concession to the Panama Railroad Company confers grants, rights, and privileges other than the grants, rights, and privileges covered by the treaty between Panama and the United States. I need hardly remind you that the treaty between the United States and Panama relates principally to the construction of a canal, and incidentally to all auxiliary works, including this railroad. The primary purpose was the construction of a canal. The concessions made directly to, and owned by, the Panama Railroad, however, were unaffected by that treaty, so far as this corporation is concerned, as this corporation is not a party to that treaty. Therefore, this company holds still, in original virtue and force, all the rights, grants, and privileges of the concession granted to the Panama Railroad Company, and which concession is still existing. The company has maintained the concession with scrupulous care, and has fulfilled its obligation under it.

I am not referring to the precise method or form in which the operations of this company should be continued. I think, if the Government owned all the stock the management could be made with a reduced board of directors, and other simplifications; but I am emphasizing the view that the corporate entity and existence of the Panama Railroad Company should be preserved. As to how operations should be conducted under Government ownership I am not venturing to make a remark. The board of directors will decide that in the future. I am addressing myself solely to the question of preserving its corporate entity and existence, and not annihilating that, even under Government ownership of all the stock. I esteem it, then, of the highest interest to the United States to acquire all of the outstanding capital stock as the first choice of methods. The amount of stock owned by the United States to-day is 68,988 shares which leaves in the hands of the public only 1,012 shares. We delivered to the United States, for the New Panama Canal Company, upon the closing of the Panama Canal transfer, 68,887 shares. Since that time the United States Government, through the Isthmian Canal Commission, has purchased 101 shares. Those 101 shares were purchased with the money of the United States, and the stock stands in the name of the officers of the United States. There need be no confusion on that point. Now, as to the 1,012 shares—these are owned by over 50 parties living in the United States, in France, and in England, and the holdings are in general in small amounts. An accurate list, from the company's records, of the holders of these 1,012 shares has been presented to you by the executive officers of this company. This list is a correct transcript from the books of the company, and I believe that the stock is owned by the persons who are there mentioned, with hardly any exception. In answer to your question I should state that I have been charged by the President and Secretary of War with the task of endeavoring to secure this outstanding stock, and have addressed to the stockholders a communication, which you probably have seen in the daily papers, and of which I hand you a copy.

EXHIBIT B.

49 AND 51 WALL STREET.

New York, January 17, 1905.

To stockholders of the Panama Railroad Company:

In connection with the consummation of the transfer by the New Panama Canal Company to the United States, which included about 98½ per cent of the capital stock of the Panama Railroad Company, the President of the United States and the Secretary of War have authorized me to afford the outstanding minority interest an opportunity to realize upon their holdings.

The Isthmian Canal Commission, in their official reports to the President, valued the capital stock at \$7,000,000, its par value (which comprehended allowance for all bonded indebtedness and other obligations having priority in liquidation).

Accordingly, you are hereby offered until the 23d day of February, 1905, the privilege of selling and transferring to the United States of America your holdings of the capital stock of the Panama Railroad Company at the par value thereof, payable in United States gold coin, upon compliance with the following conditions:

(a) Any dividend, up to 5 per centum, in the meantime declared by the company, shall belong to the selling stockholder.

(b) The shares to be duly assigned, with seal affixed, by the registered stockholder to "William H. Taft, Secretary of War of the United States" (either by

execution of the form of assignment engraved upon the back of the certificates therefor or by similar separate stock-transfer forms).

The assignment by the stockholder to be witnessed by two responsible persons, with their addresses and occupations added (not necessarily a notary or other official).

(c) In the cases of estates, trusts, guardianships, bankruptcies, or other fiduciary relations, satisfactory documentary and official evidence to be furnished of the title of the signatory parties and of their power to transfer.

(d) The certificates for shares so assigned to be delivered to The Bankers' Trust Company, No. 7 Wall street, New York City, United States of America.

(e) Payment will be made by said trust company, as my agent, upon such assignment, execution, and delivery.

I advise all minority stockholders to avail of this opportunity, which will expire at the time mentioned, after which date certain legal proceedings are contemplated to be taken.

WM. NELSON CROMWELL,
General Counsel.

Under this offering stock is being presented to me. Already I have acquired for the Government a substantial amount, which at my direction has been assigned to the Secretary of War and is owned by the United States, although not yet presented to the Panama Railroad Company for transfer. I shall pursue this effort until another stage in the work is reached. If the stock can be acquired under my offer, it will solve the problem and answer the question you, Mr. Esch, have asked me. But let us assume that all the stock can not thus be acquired.

Mr. Esch. That is the point.

Mr. CROMWELL. We shall then be brought to consider some other solution of the problem. In my judgment that is found in the measure recommended by your committee, namely, the act authorizing the condemnation of the stock for the public use. It can not be done in this case by a State law: it must be by an act of Congress authorizing the condemnation of the stock for public use. I recognize that this is an unusual proceeding and one which at first rather startles the mind, but I consider that there is ample legal warrant for it. It is based upon the existence of a public necessity for the United States to acquire the shares—the national interests involved in the execution of a national public work. The analogy will be found in the condemnation of land for any other public use, such as a post-office, custom-house, or any other public work. Assuming the public need (and that is demonstrable, for the absolute control of the railroad is a necessity in canal construction) I see nothing in principle against the condemnation of personal property, to wit, shares, as well as of real property for such public use.

Mr. Esch. Of course that is a very great power. You are aware of the decision of the supreme court of the State of Massachusetts?

Mr. CROMWELL. I am, and of a decision in Connecticut. The principle has found application in other corporate topics even when no public interest was involved. For instance, in the State acts permitting consolidation of railroads it is quite common to find provision that consolidation may be effected and the title to the property transferred in absolute ownership with the approval of the owners of a proportion less than the whole of the capital stock, say two-thirds in amount, and with the provision that the minority stock be appraised by judicial methods, its value thus determined, and paid for by the consolidated interest. That is equivalent to condemnation.

Mr. ESCH. That is provided for in the bill as proposed by this committee you are aware?

Mr. CROMWELL. Yes, sir. So, too, in some States you have doubtless found there are statutes permitting the leasing of the property of one corporation to another, and giving the power to lease with the consent of the owners of an amount in interest less than the whole. The minority stock is appraised, valued, and paid for, and is thereby required to be surrendered and canceled.

Mr. ESCH. Do you think that would be a wiser method than to put the stock in escrow?

Mr. CROMWELL. What do you mean by escrow, sir?

Mr. ESCH. Of course some of those outstanding stockholders may not consent, but they might put their stock in the hands of some trustee, for instance, and then accept the ordinary dividends and so on, and give the Government full control in that way.

Mr. CROMWELL. That, of course, presupposes the assent of that stockholder. You mean that stockholders who would not be willing to sell the right might be willing to maintain community of interest in the company, and accept, as you have suggested, a fixed annual return upon the stock.

Mr. ESCH. That is the idea.

Mr. CROMWELL. I do not think that would be advisable.

The CHAIRMAN. Is it your opinion that most of this stock can be reached by negotiation?

Mr. CROMWELL. I think that most of it can be. Statutory power to appropriate for public use the outstanding stock is, however, advisable, because there will undoubtedly be some shares lost or held by parties indifferent because of very small holdings or otherwise.

Mr. ESCH. We get service by publication; that is provided for in the bill.

Mr. CROMWELL. Another method which might be considered is proceedings to dissolve the Panama Railroad Company under the statutes of the State of New York. This is a corporation of that State, and of course on the subject of dissolution would be governed by the laws of that State. In brief, the laws of the State of New York provide that the corporation may be dissolved by the court upon the petition of the board of directors. The consent of stockholders is not required. In place of such consent there is substituted the judgment of the court. In the State of New York it is the supreme court that is given jurisdiction of this proceeding. Whenever the board of directors consider that it is to the best interests of all the stockholders to terminate the existence of the company and to wind up its affairs, they may present to the supreme court of the State of New York a petition setting forth the grounds for the dissolution and exhibiting the assets and liabilities of the corporation, making a complete exposé of its condition. Notice of that application must be given to all the creditors and all the stockholders of the company by publication, etc. A date is fixed by the court for the hearing upon that application. The board of directors present the affirmative. Any stockholder or creditor, if he desires, will be heard in the negative, and upon full hearing the court gives judgment. If it decrees dissolution (grants the petition of the directors) then it may appoint or dispense with the appointment of a receiver

(in its discretion) to sell out, liquidate, and wind up the affairs of the company. That course being followed, either through the medium of a receiver or board of directors acting as trustees for the purpose, the final result is a sale and disposition of all the concessions and other property of the company, a marshaling of all the liabilities and assets, and the complete liquidation of the affairs of the corporation. Now we must assume that this course would not be adopted unless the United States intended to become a purchaser of the property at a sale under such proceeding. In this case the mortgage bonds could be retired at a small premium of 5 per cent, as there is provision in the mortgage to this effect.

Mr. TOWNSEND. It would have to be a public sale?

Mr. CROMWELL. A public sale.

Mr. ESCH. In that connection you made a very favorable showing for the company in the last three or four years. That would have an effect upon the stock valuation. Have you had any difficulty in getting or purchasing some of this outstanding stock by reason of the high valuation of it?

Mr. CROMWELL. I consider it to the interest of such a small minority to realize par upon their holdings, in view of the uncertainty of a fixed income return, the absence of any market, their unavailability as an asset in business transactions, the inevitable effects upon the railroad of the opening of the canal to commerce. To meet the enormous business of canal construction it will be advisable to largely increase rolling stock and equipment, enlarge terminal facilities, and perhaps double track the road. This will absorb the cash resources of the company. I think stockholders will agree with me in this view.

Mr. ESCH. You said that it was wise to maintain the corporate integrity of the Panama Railroad Company. If the Government secures control of this stock, how will you reconcile Government control and corporate integrity?

Mr. CROMWELL. The United States can as well own all the stock as they can own 99 per cent, and still maintain the corporate integrity. As I have said, the board of directors can be reduced in number and corporate management can be made as simple as desired—under Government ownership of the stock.

Mr. ESCH. You do not anticipate that relationship will arouse any trouble or difficulty?

Mr. CROMWELL. None whatever. There is no reason why the United States Government may not maintain the corporate entity with 100 per cent as it does now with 99 per cent.

Mr. ESCH. That would imply separate control.

Mr. CROMWELL. It means that this asset of the Government would be managed by the Government as a separate entity, that is all. Otherwise it would be necessary for the Government to provide at once the cash to pay off all bonds, etc., and itself become directly responsible for the management of the business—I mean directly liable for daily operations, traffic contracts, railroad accidents, etc.

Mr. ESCH. I understand your position.

Mr. LOVERING. When you say you advocate maintenance of the legal integrity of the Panama Railroad Company, do you include in that the entire organization, including the steamship lines?

Mr. CROMWELL. I will present my views in a few words. My opinion is: (1) That the corporate entity of the Panama Railroad Company should be preserved, for the reasons I have given in answer to the committee's questions. The corporate organization can be simplified under Government control, and yet the advantages I have pointed out can be preserved.

(2) That it is to the best interest of the United States to maintain and operate its New York-Colon Steamship Line. In addition to its earning power and its relation as a reliable feeder to the railroad, the Atlantic Line is an instrumentality of inestimable material and strategic value to the Government in the construction, operation, maintenance, and protection of the canal, both during and subsequent to completion of the canal. It insures the quick, certain, and regular delivery of the vast amount of construction material and other supplies, and it frees the Government from the power of contractors or any combination, imposition, or inefficiency of others. It will save the Government millions of dollars and much valuable time in construction. Moreover, in my judgment, the national interest demands the ownership and operation of its own line to its canal possessions. It should not be dependent upon any other party for quick, certain, and satisfactory communication to and from the point where it has such a stupendous investment and which it has become morally obligated to the world to maintain and protect. As the conservator of the greatest material factor of civilization, sound statesmanship demands the very best—the most reliable—and the quickest means of communication with the possessions 2,000 miles distant, and with which our fortunes and honor are forever bound.

(3) That the steamship and accounting departments can be more efficiently, promptly, profitably, and satisfactorily regulated and managed from New York as the headquarters; but that under complete Government ownership the corporate organization can be simplified and officials of the Government, already on its pay rolls can be economically utilized to a certain extent.

(4) That while the Pacific Mail contract is a profitable one, and it would not, under private ownership, be good business policy to leave a certainty for an uncertainty, or to surrender assured profits to try new experiments, yet that under Government ownership the proper policy is to avoid traffic contracts of an exclusive character. That while this policy is being pursued it is also a duty to the public interest that an equally good substitute be found. Otherwise the splendid present business will be seriously crippled and loss ensue. Instead of relying upon hopes, conjectures, and theories as to the certainty of such a substitute, the subject should be brought out of the clouds and put to a practical test and a workable result reached. I intend to urge this course upon the board, so that the new situation shall be met the best it may. We all, surely, have the heartiest disposition to master the problem.

The CHAIRMAN. If we were to part with the ships that are now operating in connection with the railroad would it increase or decrease our annual net earnings?

Mr. CROMWELL. I think it would decrease them.

The CHAIRMAN. Very largely?

Mr. CROMWELL. Very largely. Entering upon that aspect of the question only very briefly, I am speaking now not only as counsel of

the corporation, which I have been for many years, but as a member of the board of directors and executive committee, in which I have sat for many years. Every one of these problems of transportation have taxed the care and ingenuity of us all for years. We have been all through this question. It is now for the first time coming, and very properly, to you gentlemen. We have lived through it for years. We have lived through the period of what might be called the "open-door" policy, throwing down our advantages and opening the Isthmus to the world upon like terms. We have tried that and we lost heavily. This is a business corporation, not an eleemosynary one. This is a splendid business organization. We recognized that we had been intrusted with the care of millions of property upon which we must make earnings. We recognized that we had no right to abandon the property and leave it open to rival steamship or transcontinental lines to take the earnings. In our effort to reach the best result, we in former years tried the open-door policy. We lost hundreds of thousands of dollars in that experience. Upon another occasion, and in response to the clamorous demand of the merchants of the Pacific coast (against what they considered great exactions of the great transcontinental railroads), we made an alliance with the merchants of San Francisco in the establishment of an independent line—independent of the Pacific Mail, independent of all associations other than with the shipping merchants of San Francisco. No interest or right could possibly be more active, more interested, more aggressive, than the shippers of San Francisco. They formed a corporation in 1893-94, under the laws of California, based upon subscriptions by merchants of the city to stock of that company. It was almost in the nature of a public-spirited subscription, a subscription moved by their resentment against the transcontinental lines and actuated by active public spirit and keen interest. The Panama Railroad Company made contracts with that California corporation. It dismissed the Pacific Mail entirely—opened war on them. That alliance with the merchants of San Francisco continued for a year and a half. Its result was disastrous to them and to us. The merchants struggled against the situation, but the result was that they lost all their capital invested and much more, aggregating, I understand, from three to four hundred thousand dollars, and they had to throw up the contract with us. In desperation, our company, being left without a Pacific coast connection in mid-season, was compelled to continue the line itself. Having ourselves no steamers on the Pacific, we had to charter them at large cost. This we did, and we continued for our own account the line abandoned by the San Francisco merchants. With all our efforts this company sunk several hundred thousand dollars in that experiment; and it was the lesson of that experience that led us to make a new contract with the Pacific Mail Steamship Company. We made that contract with the Pacific Mail Company in 1895. The contract expired in 1900, and was not then renewed by this company, for there had been presented to us earnest demands by South American steamship lines and others for the termination of the exclusive privilege and the introduction of the open-door policy. After months of study, the board determined to give the open-door policy a serious trial. We refused, therefore, to renew the contract with the Pacific Mail. It led to much bitterness of feeling, as we absolutely terminated relations of every kind with that company, and for one year and a half we had

no connection with them. During that time we seriously and conscientiously practiced the open-door policy, encouraging business, of course, in the most active fashion, and made agreements with the Pacific Steam Navigation Company, a British corporation, and the South American Steamship Company, otherwise known as the Chilean Line. They undertook the business, but again it was found an unfortunate experience. We did not attain the results we hoped for, nor did they, and the obvious facts made it plain that that method of business was unsatisfactory and unprofitable to all parties. After that experience we considered again the resumption of relations with the Pacific Mail Company, and negotiations were opened, continued for months, and finally ended in the present contract of June 11, 1902.

The CHAIRMAN. A contract still in force?

Mr. CROMWELL. Still existing; but we have given the six months' notice of termination. That contract has thus far proven satisfactory from a business point of view. The company has a joint business—railroad and steamship. For bookkeeping and accounting purposes we divide the profits, as all railroads divide their business, between the several departments. It is of no consequence to the company whether the earnings go into one pocket or the other. They go into the common pot, and all expenses are paid from the common pot; the results are common.

Mr. TOWNSEND. But you keep them so as to determine—

Mr. CROMWELL. Mainly for the purpose of being able to determine, as far as we can, whether the several departments are conducted at a profit or at a loss.

Mr. TOWNSEND. You know whether it is profitable or not?

Mr. CROMWELL. Practically; yes, sir. But upon this topic I say that whether the railroad or the steamship department is profitable is a matter purely of business judgment. Bear in mind that this railroad is only 47 miles long. It is common sense that you could not operate a railroad 47 miles long and realize upon it sufficient moneys to pay operating expenses, \$250,000 per annum to Panama, the other fixed charges, and a fair dividend on the investment. For fifty-five years the managers of the company have thought differently, and they have managed this company successfully. The Atlantic Steamship Line is the feeder to the railroad line and insures it a reliable and profitable business; it frees the railroad from the vicissitudes, uncertainties, and fluctuations incident to dependence upon others. We have contracts with European lines that have continued satisfactorily for forty years.

Mr. ESCH. Still in force?

Mr. CROMWELL. Every one of these; yes. There is a large business flowing from European ports. Please notice this map [exhibiting map]. You see that from Hamburg there is a line contributing directly to Colon; another line from Havre, another line from Southampton, another line from Liverpool, Glasgow, Antwerp—altogether 10 lines converging at Colon, and pouring in their business at that point; and they have been doing so from thirty to forty years. Do you want to lose it or impair it? We have lines on the Pacific side that have contributed in the same way to the business from that end for many years.

The CHAIRMAN. Linked in a great many long lines.

Mr. CROMWELL. It not only owns the railroad, which is a splendid piece of property.

Mr. DRAKE. You can go from one end to the other in an hour, if need be.

Mr. CROMWELL. It owns the right of way, of great value to-day; owns good terminals at each end; it owns practically the whole town of Colon.

Mr. DRAKE. The ground it is built on?

Mr. CROMWELL. With a small exception all of the land of Colon is owned in fee simple by the Panama Railroad Company. It owns one-half of the islands of Flamenco, Naos, Culebra, and Perico by title deed.

The CHAIRMAN. Who owns the other half?

Mr. CROMWELL. The Pacific Mail Steamship Company.

The CHAIRMAN. That is, an undivided half?

Mr. CROMWELL. An undivided half. It owns blocks of land with buildings thereon in the very heart of Panama city, independent of the concessionary lands.

Mr. ESCH. What is the width of the right of way?

Mr. CROMWELL. We have a full right of way and the right to double track our line. We have the right, under our concession, of condemnation of lands, so that there is no limitation to the growth of the Panama Railroad on the Isthmus of Panama for all purposes of its business. It has been declared by Colombia (Panama) an enterprise of public utility.

Mr. LOVERING. Has this contract with the Pacific Mail Company had the effect to put up the price of transcontinental traffic?

Mr. CROMWELL. On the contrary it has had the effect of lowering it. The Panama Railroad is the only influence that diminishes the transcontinental rates, for it is the only regulator of the rates of transcontinental lines on low-class freight.

Mr. SIMMONS. Absolutely.

Mr. CROMWELL. The Panama Railroad also owns three steamships, two of which have been brought by recent reconstruction to the highest degree of efficiency and usefulness, and adapted especially to this trade. It owns the finest pier on the South American continent, costing \$2,250,000. It also owns a fleet of 22 lighters, which are employed in the Bay of Panama. It has, as I have mentioned, established connections with nine or ten lines running to all points of Europe, and with three or four lines tributary to the Pacific side. The only mortgage indebtedness held by the public upon all this property is a balance of \$2,372,000. That is all, a mortgage small in amount in comparison with the value of this property. It has no floating indebtedness, and we never know such a thing as a promissory note in the business of the corporation. This company never borrows. It is always a lender of money. There has not been a day in many years when the company has not been a lender of money. There has not been a day in many years when we owed, currently, anything but a trifling amount for current accounts, or for these permanent improvements, since paid for with the bonds. The balances in the bank are hardly ever less than half a million dollars, and are so this minute after payment of our dividend of \$350,000 last week. And in addition to this we have bonds in our treasury to the amount of \$773,000 representing past earnings. The Panama Rail-

road Company has never ceased operation one minute since it began fifty years ago. It has never defaulted in the payment of a dollar, a record which I think we have a right to view with pride, and which hardly has a parallel in the history of American railroads.

Mr. TOWNSEND. To what extent is it encumbered with passes?

Mr. CROMWELL. The subject of passes has always been a very perplexing one. Under the concession from Colombia, to which I have referred, the company was obligated to transport gratuitously all troops, officers, and officials of the Government. That was one of the terms upon which the concession was obtained. These classes constitute the bulk of the free passes. There are about 26 other passes called "land passes," which are issued to parties who granted the right of way in 1850 and in connection therewith. Of course the local officers of the company issue ordinary trip passes for special purposes, such as to the ministers and consuls of foreign governments residing there, clergymen, dignitaries, and agents of steamship lines who give us their business. Those courtesies are extended to those with whom we have serious business or diplomatic interests.

Mr. ESCH. How about the army, the Colombian army? The Panama army of course does not amount to anything.

Mr. CROMWELL. At this time, no. It has been disbanded. I wish to say that the subject of passes has been recently examined afresh very carefully. It is a very delicate subject, a subject which must be dealt with very wisely and honorably, because the recipients are men of importance in the community and it is of consequence that we do not manifest an unusual attitude in railroad practice, and furthermore that we observe the obligations of the concession. The passes have recently been very much reduced in number. The subject of the issuance of passes of course lies more directly in the jurisdiction of the local officers on the Isthmus. No passes are issued from this office. The general superintendent is charged with the duty and power to deal with that subject locally, with due regard to our concession and the best interests of the corporation, treating its affairs in a broad spirit and bearing in mind that it is a concessionary road. Under the treaty with Panama, the present treaty, there is provision respecting the transportation of its officers and employees. The local officers are charged with the duty of very rigid scrutiny and the issuance to the smallest number consistent with concessionary duties, good business, and the best interests of the company. Have I answered fully?

Mr. TOWNSEND. Yes.

Mr. ESCH. With each year's work on the canal, there would tend to be a depreciation of the railroad property, would there not? When the canal is finally completed, the railway line would be devoted almost wholly to local traffic?

Mr. CROMWELL. That is a very interesting question, Mr. Esch, and one upon which traffic men differ. I have given considerable thought to it. I do not share the opinion that the Panama Railroad will become valueless at that time. No man can judge what will be the conditions ten years hence, with the new traffic element (the canal) as a practical thing before it—not a theory, as to-day. The railroad will probably then be operated by electric power generated at the Gamboa Dam, or one of the other great water-power points. Electricity will be inexpensively produced on the line of the canal by water power, and the railroad may be operated in that way, thus

greatly reducing the cost of operation. At that time, too, we will have paid off this first mortgage out of earnings and our fixed charge will thus be reduced; the local business will be active, and Panama and Colon will be far more important than they are to-day. Nearly every passenger approaching the canal by steamer will disembark at one or the other termini, Panama or Colon, and, taking the quick railroad transit across the Isthmus, in less than an hour, will visit the cities and observe the interesting sights during the day, while the steamer is passing through the canal. The steamer will enter the canal at sunrise at Colon, say, and will make its exit at Panama at sunset, and the passenger, in the meantime, will have passed over by the electric railroad and be amusing himself in either city while the steamer is moving through the canal. The local traffic will have grown to importance; the country will have developed; business will have sprung up along the line of the road, furnishing local traffic. There will be freight coming to either terminal, but not passing through the canal at all, and which could not afford the tolls which must be charged to operate the canal; and cargo of vessels which will not have a sufficient freight to justify them in passing through the canal, or having cargo destined to a point not justifying canal transit. Therefore, such freight will have to be transported over the railroad and takeship at the other point, thus saving the heavy toll between. Again, there will be business naturally tributary to either termini up and down the coast, employing an entirely different class of shipping, of very light tonnage.

Mr. ESCH. I ought to know, but what will we have to pay Panama for the right of way?

Mr. CROMWELL. Nothing. Except for one or two small claims, the Panama Railroad owns its entire right of way; has no obligations to pay either to Panama or Colombia in respect of it.

Mr. ESCH. What relationship does our Government sustain to the railroad company on freight shipped over the line for use on the canal? Do we get a special rate, or is the Government of the United States charged the regular rate?

Mr. CROMWELL. We have a special rate, as the traffic officers will give you more in detail. The United States rates in no case are higher than those to the public, and in some cases are lower, where, by reason of larger quantity, it is justifiable for the company to make lower rates.

Mr. ESCH. Was the New French Panama Canal Company given a like rate?

Mr. CROMWELL. You are now referring to the period of 1883, 1884, or 1885. That, of course, is long before our time. I think not; no, sir: they were not. On the contrary, the railroad company was given higher rates.

Mr. TOWNSEND. I think, as Mr. Esch has suggested, there is a good deal of this testimony that we want, that you could tell us as well in Washington.

Mr. CROMWELL. Yes, sir.

Mr. ESCH. I would like to ask some questions of Mr. Drake in regard to the books.

STATEMENT OF E. A. DRAKE.

MR. TOWNSEND. Mr. Drake, you are the vice-president and secretary of this company?

MR. DRAKE. Yes, sir.

MR. TOWNSEND. How long have you occupied that position?

MR. DRAKE. As second vice-president and secretary for three years; as vice-president and secretary since September, 1904.

MR. TOWNSEND. How long have you been connected with the Panama Railroad Company?

MR. DRAKE. Since April, 1888, in various capacities, beginning as a director, then as assistant secretary, then as secretary, then as assistant general manager and secretary, and then as second vice-president and secretary, and now as vice-president and secretary. I succeeded Mr. Whaley, who for a long time was the active vice-president and general manager of the corporation for a number of years, living in New York and visiting the Isthmus several times. Afterwards we opened a European branch, as we had connections with nine steamship lines there. We have been unable to depend upon the accounting by the connecting lines. We have always had to verify their accounts and settle differences. Later, Mr. Whaley was elected to the position of first vice-president, resident in Paris, in charge of the European department. In that position he had charge, among other duties, of the company's traffic interests abroad, conducting negotiations, and carrying on correspondence with the executive officers of our European connecting lines, and of renewing expiring traffic contracts and making new rates and arrangements for the following season, and of determining rates from Europe, until recently, when the control passed into the hands of the United States. Mr. Whaley then resigned and I succeeded him.

MR. TOWNSEND. The books have been under your charge?

MR. DRAKE. Yes, sir; in a general way, I have had charge of the books, with subordinates, the treasurer, and the auditor.

MR. TOWNSEND. How much stock have you in this company now?

MR. DRAKE. One share.

MR. TOWNSEND. Is that all you have ever had?

MR. DRAKE. That is all, since I became a director in 1888.

THE CHAIRMAN. You are an employee, rather than an owner of the road?

MR. DRAKE. I am a representative director; that is a recognized position.

MR. CROMWELL. That is true of all the directors.

MR. TOWNSEND. Has this stock ever been on the market?

MR. DRAKE. Since when?

MR. TOWNSEND. Since you have been connected with it.

MR. DRAKE. There is always a market for it.

MR. ESCH. Just in that connection, I notice that General Davis in his report says that the stock of the Panama Railroad Company has not been quoted for many years, and its market value is not known.

MR. TOWNSEND. Has it been quoted?

MR. DRAKE. By the stock exchange regulations when all but a small minority of any listed stock passes into the hands of one holder dealings in that stock are officially suspended. It was a very active stock

for a great many years, a very high-priced stock up to the time when the French Canal Company bought all of the capital stock except a small minority. After that time the stock was stricken from the stock list and official quotations ceased, for the reason I have stated.

Mr. TOWNSEND. Through what range does the quotation pass?

Mr. DRAKE. The transactions have all been from 60 to par. There have been sales at various times of small lots.

Mr. TOWNSEND. That has been a profitable piece of property almost from the beginning?

Mr. DRAKE. I think it is one of the most profitable pieces of property in the world.

Mr. TOWNSEND. And has been all the time?

Mr. DRAKE. The incorporators acquired almost invaluable franchises, as has been proven by the result of operation.

Mr. TOWNSEND. And has paid as high as 23 per cent dividends?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. But still it is sold usually from 60 to 100?

Mr. DRAKE. For the reasons I gave you. A minority stockholder has to get what he can for his stock, because there is no fixed market and there are but few shares outstanding. All of the minority shareholders were offered by Mr. De Lesseps an opportunity to sell their stock at 250, but some did not avail of it. Since then they have had to get what they could. Now they have exactly the same kind of an opportunity to get par from the United States Government.

Mr. CROMWELL. Uncertainties about the future, and also the fact that the earnings have accumulated in the treasury and have not been paid out in dividends.

Mr. TOWNSEND. Mr. Drake, can you tell us why they accumulated in the treasury?

Mr. DRAKE. Yes, sir; it was the policy of the company, because we were buying ships, and were going through adverse traffic periods with uncertain results and because in 1895 we had undertaken the construction of the La Boca pier, which cost us two million and a quarter cash, and both the directors and shareholders preferred to strengthen the company in anticipation of these extraordinary requirements.

Mr. TOWNSEND. Is there an actual increase and profit for the year 1893-94?

Mr. DRAKE. The contract with the Pacific Mail Company that was entered into in February, 1878, expired in 1893, and we declined to renew it, because the Pacific Mail's terms were so exacting that we could not reach an agreement. We had arranged to establish a line of steamships between Panama and San Francisco, when the merchants of San Francisco learned of it and came forward and took up the enterprise.

Mr. TOWNSEND. Is that the only object you had, to meet those extraordinary expenses, for withholding dividends?

Mr. DRAKE. Yes, sir: it was a policy adopted. We so stated in the printed annual report of each year.

Mr. TOWNSEND. It was not the policy of the French company to get rid of the stockholders and get possession of the stock?

Mr. DRAKE. Oh, not at all; as far as we know, there was nothing of that kind. The minority shareholders never were approached in any way that we know of, and no attempt made to purchase their stock.

On the contrary, it was offered at times and not taken by the canal company.

Mr. TOWNSEND. Did they make systematic effort to get possession of the stock?

Mr. DRAKE. Not that I know of.

Mr. CROMWELL. I can say that they did not.

Mr. TOWNSEND. Are these statements that you have prepared here, Mr. Drake, correct statements taken from your book, showing the various items therein scheduled?

Mr. DRAKE. Yes, sir; absolutely correct and carefully prepared. They are entitled as follows:

- Statement showing dividends paid.
- Statement showing redemption of first-mortgage bonds ($4\frac{1}{2}$ per cent) of 1897.
- Statement showing redemption of first-mortgage 7 per cent bonds, how effected.
- Statement showing transcript of trustees of sinking fund loan account of 1897 relating to sale of bonds in said account and accumulation of interest applied to redemption of general mortgage sterling 7 per cent bonds.
- Statement showing general mortgage $4\frac{1}{2}$ per cent bonds of 1897, how held.
- Statement showing subsidy bonds, 6 per cent.
- Statement showing redemption of 6 per cent subsidy bonds.
- Statement showing analysis of entry of \$1,746,859.96 to credit of profit and loss in 1897.

Mr. TOWNSEND. We will have them marked Exhibits 6e, f, g, h, i, k, l, and m.

EXHIBIT 6e.

Statement of dividends paid.

1901, 2 per cent.....	\$140,000
1902, 4 per cent.....	280,000
1903, 8 per cent.....	560,000
1904, $2\frac{1}{2}$ per cent.....	175,000

EXHIBIT 6f.

Statement showing how redemption of first-mortgage 7 per cent bonds, due October 10, 1897, was effected.

2,686 bonds outstanding October 10, 1897, were retired at a cost of	\$2,612,338.34
Of which there was redeemed by proceeds of sale of 2,000 general-mortgage $4\frac{1}{2}$ per cent bonds.....	1,907,250.00
Leaving a balance of.....	705,088.34

Which was contributed by the voluntary sinking fund.

EXHIBIT 6g.

Statement of redemption of first-mortgage $4\frac{1}{2}$ per cent bonds, issue of 1897.

October 1, 1898, 141 bonds.....	\$141,000
October 1, 1899, 140 bonds.....	140,000
October 1, 1900, 139 bonds.....	139,000
October 1, 1901, 141 bonds.....	141,000
October 1, 1902, 140 bonds.....	140,000
October 1, 1903, 140 bonds.....	140,000
October 1, 1904, 140 bonds.....	140,000
Total..... 981 bonds.....	981,000

EXHIBIT 6h.

Redemption of 6 per cent subsidy bonds.

November 1, 1896,	107 bonds	\$107, 000
November 1, 1897,	114 bonds	114, 000
November 1, 1898,	121 bonds	121, 000
November 1, 1899,	129 bonds	129, 000
November 1, 1900,	136 bonds	136, 000
November 1, 1901,	144 bonds	144, 000
November 1, 1902,	153 bonds	153, 000
November 1, 1903,	162 bonds	162, 000
November 1, 1904,	172 bonds	172, 000
Total	1, 238 bonds	1, 238, 000

EXHIBIT 6i.

Sinking fund 6 per cent subsidy bonds.

Original issue of	\$3, 000, 000
Redeemed by annual sinking-fund drawings	2, 285, 000
Outstanding	715, 000
Held in treasury	126, 000
Held by public	589, 000

First mortgage $4\frac{1}{2}$ per cent gold bonds.

Authorized issue	\$4, 000, 000
Held by public	2, 372, 000
Redeemed by annual sinking-fund drawings	981, 000
Held in treasury	647, 000
	4, 000, 000

EXHIBIT 6k.

Transcript of trustees of sinking-fund loan account of 1897, relating to sale of bonds in said account and accumulation of interest applied to redemption of general mortgage sterling 7 per cent bonds.

177 United States registered fours, 1925	\$222, 798. 75
257 United States registered fours, 1904	286, 876. 25
105 Northern Pacific general lien	58, 850. 00
1,000 shares Northern Pacific preferred	41, 587. 50
50 Oregon Improvement first mortgage	50, 187. 50
Accumulated interest on securities other than companies and accumulated interest due on company's securities in sinking fund	81, 559. 96
	741, 859. 96
Amount required in excess of proceeds sale of 2,000 bonds $4\frac{1}{2}$ per cent general mortgage to retire 2,686 outstanding general mortgage 7 per cent bonds, transferred to sinking fund	705, 088. 34
Unexpended balance of sinking fund transferred to credit of new voluntary sinking fund, resolution as per minutes of executive committee, October 15, 1897	36, 771. 62

EXHIBIT 61.

Profit and loss account, December 31, 1897.

Balance to credit of voluntary sinking fund October 10, 1897-----	\$1,746,859.96	
<hr/>		
Made up as follows:		
312 Panama Railroad sinking fund 6 per cent subsidy bonds held in voluntary sinking fund_	\$312,000.00	
Unexpended balance in voluntary sinking fund (transferred to company's treasury as free assets, resolution of executive and finance committee, October 15, 1897) -----	36,771.62	
		<hr/>
		348,771.62
693 general mortgage 7 per cent sterling bonds held by voluntary sinking fund-----	693,000.00	
Proceeds sale of securities in voluntary sinking fund (resolution of the executive and finance committee, September 3, 1897) -----	705,088.34	
		<hr/>
		1,398,088.34
		<hr/>
		1,746,859.96

Mr. TOWNSEND. You add a statement here, and this is the statement that you make monthly to the directors, is it?

Mr. DRAKE. Yes, sir; it is a summary of the monthly operations of the railroad, making comparisons of the results of the current month with the same month of the previous year. As the year progresses it shows a comparative statement for each month.

Mr. TOWNSEND. You make this for the benefit of the board of directors?

Mr. DRAKE. The only statement that is made by the Panama Railroad Company is its annual statement, which is made at the annual meeting in accordance with the by-laws.

Mr. TOWNSEND. This is made for the directors?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. How long have you been making this kind of a statement?

Mr. DRAKE. Since 1896, when we changed our method of book-keeping.

Mr. TOWNSEND. That brings me to the point, how did you happen to change your method of bookkeeping in 1896?

Mr. DRAKE. There was a question raised as to just how much of the revenue of the company was applicable to the payment of dividends, and to determine that question Mr. John Scott, a public accountant, was employed. He went over the records of the company from its incorporation to 1896.

Mr. TOWNSEND. Who was Mr. Scott?

Mr. DRAKE. He was a public accountant.

Mr. TOWNSEND. Where?

Mr. DRAKE. In New York. The treasury minutes show that this report of the accountant was brought in after the vice-president and general manager had changed our method of bookkeeping to substitute a more modern method.

Mr. TOWNSEND. Mr. Cromwell, you had something to do with the investment of the 10 million dollars received by Panama from the United States?

Mr. CROMWELL. Yes, sir.

Mr. TOWNSEND. Was any of that money invested in any of the securities of this road?

Mr. CROMWELL. It was. The Panama Government manifested its confidence in the securities of this company by investing about one million dollars in the first mortgage bonds of this company.

Mr. TOWNSEND. What bonds are those. What do you call them?

Mr. CROMWELL. The 4½ per cent first mortgage.

Mr. TOWNSEND. And that investment is still there?

Mr. CROMWELL. Still there.

Mr. TOWNSEND. Are those bonds subject to the drawings?

Mr. CROMWELL. Yes, all part of the same class. The bonds were purchased by the Panama Government in the open market, and not from this corporation.

Mr. TOWNSEND. Now, Mr. Drake, I think Mr. Cromwell may have explained one thing which your books undoubtedly show, but I want to get it clear.

I notice in your report of 1903 to the stockholders, on page 6 headed "Panama Railroad Company," that when you analyze the sinking fund, the 6 per cent subsidy bonds, you speak of the original issue of \$3,000,000 which Mr. Cromwell has explained. In parenthesis you say: "Being payments of the advance of annual subsidy of \$225,000 to the Republic of Colombia." What I want to know is why that is not \$250,000?

Mr. DRAKE. \$25,000 of the \$250,000 is made payable by the company, under this concession, directly to the Department of Panama. The other \$225,000 is applied, first, to the payment of interest on the bonds still outstanding in the hands of the public, and then to the redemption, after drawing by lot, of sufficient number of bonds to absorb the balance of the \$225,000.

Mr. TOWNSEND. I notice on page 16 of your report of December 31, 1903, the first item is: "Cost of road, real estate, and equipment, new terminals at La Boca being included in the same brackets, \$12,045,258.32." Does that, Mr. Drake, represent the book value of the property of the Panama Railroad Company, including the new terminal at La Boca?

Mr. DRAKE. Yes, sir; everything charged to capital account.

Mr. TOWNSEND. From the beginning?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. You have not deducted anything nor made any allowances for depreciation?

Mr. DRAKE. No, sir. Not as depreciation, because we keep up our properties as we go along.

Mr. LOVERING. That \$12,000,000 does not mean all the money that has been put into necessary repairs and keeping up of property?

Mr. DRAKE. Not at all; it only represents what has been paid out for construction and plant and charged to capital account.

Mr. TOWNSEND. Your dividends are always declared on the basis of \$7,000,000 capital?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Your book value includes the steamships?

Mr. DRAKE. Yes, sir. It is a separate item there.

Mr. ESCII. What do you estimate the three steamships to be valued at?

Mr. DRAKE. The three steamers were bought at a bargain and have been currently maintained ever since as a part of the operating expenses. The ships *Advance* and *Finance* are insured for \$200,000 apiece; that indicates what they are worth to us, but not, of course, what they would bring if offered for sale in open market. I can not tell precisely what they are worth, but I should say that those three ships to-day are worth \$750,000 to us.

Mr. VERNON H. BROWN. From \$600,000 to \$750,000 in my opinion.

Mr. ESCII. That includes the \$375,000 improvements put on them in the year?

Mr. BROWN. It includes their present condition. I would call attention to the fact that the Davis report puts them at \$583,000.

The CHAIRMAN. I will ask you one more question, Mr. Brown. What is your opinion of the adaptibility of these vessels to that particular trade, as to their size, capacity, and speed?

Mr. BROWN. They have answered every requirement admirably up to the present time.

The CHAIRMAN. Are they large enough?

Mr. BROWN. I will have to answer that by asking you a question. If the Government is going to double up the business here, if we must carry down the Government material, supplies, etc., in addition to the usual freight, we must have additional tonnage.

Mr. DRAKE. We paid \$234,000 last year to charter additional ships of the same kind for our line while our *Advance* and *Finance* were out of commission for reconstruction.

STATEMENT OF MR. VERNON H. BROWN,

A director in the Panama Railroad Company.

Sworn by the Chairman.

Mr. BROWN. Apropos of the inquiry that was recently made in regard to the future of the Panama Railroad, the future value of the railroad, it seems to me that when the canal is built that the Isthmus will then become of very much greater importance as a distributing point. You take all these nine lines of steamers that are running to Colon from various points in Europe, they are not loaded for any special port, they bring their cargo for the Pacific—some for the south Pacific, some for the north Pacific, some for China, Australia, Japan, wherever it may be, all in the same cargo. They would have to break bulk at Colon, for instance, and that cargo is distributed. You can not so well distribute that by canal as by railroad. Here may be a car for Valparaiso, another car for Callao, another car for up north, and so on for as many different points as you may choose to select. Those goods would naturally be loaded in the cars and go across and then be put aboard the ships for the various points for which they are destined. It seems to me that the value of that operation would enhance very much the value of the property, and very much increase the business.

The CHAIRMAN. Larger ships?

Mr. BROWN. If you had larger ships you could operate them to better advantage than the smaller ones, but having the ships, you can not afford to throw them away?

Mr. CROMWELL. Would you like to have the gross business done by the steamship and railroad company per annum?

Mr. ESCH. If you have it in concise form, yes.

Mr. TOWNSEND. What is the annual gross business of this company as conducted from the New York office?

Mr. DRAKE. Total earnings of our line, \$2,664,000 in 1903. The gross expense for the year was \$1,960,000. Earnings over expenses are about \$1,000,000, and of that sum about \$450,000 to \$500,000 is used in the discharge of fixed charges of the company, interest on bonds, subsidy, and redemption; and the balance of about \$500,000 is subject to distribution of dividends.

The CHAIRMAN. We thank you, gentlemen, for your courtesies.

Thereupon, at 4.50 o'clock p. m., the hearing was adjourned.

WASHINGTON, D. C., *February 17, 1905.*

The committee met at 10.30 o'clock a. m., Hon. William P. Hepburn in the chair.

At the request of Mr. Shackelford, the chairman of the subcommittee having under consideration the affairs of the Panama Railroad, certain witnesses were this morning examined before the Committee on Interstate and Foreign Commerce instead of before the subcommittee.

STATEMENT OF MR. VERNON H. BROWN,

A director of the Panama Railroad Company.

Mr. SHACKLEFORD. You are one of the directors of the Panama Railroad Company?

Mr. BROWN. I am.

Mr. SHACKLEFORD. You were examined somewhat the other day, I believe, at the hearing before the subcommittee at the offices of the railroad in New York?

Mr. BROWN. Yes, sir.

Mr. SHACKLEFORD. Now, Mr. Brown, being as succinct as you can, we will take that feature of it first, and I would like to hear what you have to say about the line of ships that is operated in connection with the Panama Railroad?

Mr. BROWN. We esteem it of the greatest importance. It is the principal feeder of the line, and a very large proportion of the business originates at this end, and we have found from past experience that it was the only reliable source of supply in connection with the railroad.

Mr. SHACKLEFORD. Under the arrangements as they exist now, you have, I believe, a through bill of lading from New York to San Francisco?

Mr. BROWN. Yes, sir.

Mr. SHACKLEFORD. And other Pacific ports?

Mr. BROWN. Yes, sir. In regard to the traffic business, we have Mr. Walker here, our traffic manager, who will probably answer the traffic questions more clearly than I could do, but I am at your disposal for anything that you wish.

Mr. TOWNSEND. I understand, Mr. Brown, that the Panama Railroad Company has a contract or agreement with reference to the traffic in connection with the Pacific Mail Company?

Mr. BROWN. Yes, sir.

Mr. TOWNSEND. And, to say nothing about the notice that has been served upon them now, when would that contract terminate?

Mr. BROWN. I think it terminates in July.

Mr. SHACKLEFORD. You mean it terminates by notice in July, but by the terms of the contract it would terminate when?

Mr. BROWN. We were obliged to give six months' notice.

Mr. SHACKLEFORD. It would terminate in 1907. I believe, Mr. Townsend.

Mr. BROWN. Oh! I misunderstood your question.

Mr. SHACKLEFORD. By the terms of the contract it would terminate in 1907?

Mr. BROWN. Yes, sir.

Mr. ESCH. Let me give you the terms of the contract. According to article 21 of the agreement, we have this provision:

Subject to the provisions of a contemporaneous agreement between the parties hereto

The CHAIRMAN. What is the date of that?

Mr. ESCH. This is the contract of June 11, 1902.

Mr. SHACKLEFORD. Has either party exercised the election to continue the contract?

Mr. BROWN. The board of direction voted to give the notice of the termination of the contract.

Mr. SHACKLEFORD. The notice of the termination, but Mr. Esch read some clause there——

Mr. CROMWELL. The contract runs three years, by its terms, with the right to renew for two years more. It expires in June, 1905, subject to the right of renewal for two years, unless either party, upon six months' notice, terminates it before that time. The Panama Company has exercised that election and has given the notice, a notice which makes the contract expire on July 13, 1905.

Mr. SHACKLEFORD. The ship line heretofore has consisted of three ships, that belong to the company, and you have had some chartered. Are there any chartered now outside of those that are regularly owned by the company?

Mr. BROWN. We have one under a charter that runs for six months yet. We have one under contract, and two on which the contract has just run out. They were on time charters, so that we could cancel the charters at any time. We found it expedient to do so, and we have allowed two of them to run off recently, and the other has about six months to run.

Mr. SHACKLEFORD. Are these ships sufficient for the service between New York and the Isthmus?

Mr. BROWN. No, sir; we have not found it so.

Mr. SHACKLEFORD. Are there other lines engaged in the traffic?

Mr. BROWN. No, sir; no other lines. By saying "insufficient" I mean that we can not maintain the sailings with three ships. Whether large or small, we must have regular sailings, and we could not keep up the regular sailings with three ships.

Mr. SHACKLEFORD. Are there any other lines out of American ports on the Atlantic side that have the privilege of a through bill of lading on the Isthmus?

Mr. BROWN. That is a traffic question. The United Fruit Line is the only one.

Mr. SHACKLEFORD. I wanted to ask you the general question whether there are any other lines.

Mr. BROWN. Yes, sir; the United Fruit Line is the only one I know of.

Mr. SHACKLEFORD. There are no other ship lines that issue any through bills of lading?

Mr. BROWN. None that I am aware of.

Mr. SHACKLEFORD. Why is that? Is it because the railroad company has declined it, or is it because the other lines of ships have declined it?

Mr. BROWN. It has been the only regular line that has made any application, as I understand it.

Mr. SHACKLEFORD. Are there any other lines regularly between Colon and New York or between Colon and any other Atlantic or Gulf port?

Mr. BROWN. No, sir.

Mr. SHACKLEFORD. There are none?

Mr. BROWN. No, sir.

Mr. SHACKLEFORD. Have there been any other lines seeking to make connections with the Panama Railroad from any of these American ports?

Mr. BROWN. I do not know of any American line. Some of the foreign lines have made application.

Mr. SHACKLEFORD. From American ports?

Mr. BROWN. No, sir; I think they have really been running from American ports north, from Seattle, I think, down to Panama.

Mr. SHACKLEFORD. That was on the Pacific side; I was speaking of the Atlantic side.

Mr. BROWN. No, sir; nothing.

Mr. SHACKLEFORD. What I am trying to get at is this: Has the arrangement between the Panama Railroad and its own ships been one of exclusion?

Mr. BROWN. Practically, yes, sir.

Mr. SHACKLEFORD. Has it been the policy to exclude other ships than their own?

Mr. BROWN. It has not been the policy of the railroad to grant through bills of lading to any other line. We are very glad to have any business come there, however.

Mr. SHACKLEFORD. On the business that comes out of the port of New York going to Colon by other lines than your own, what have the rates charged on that by rail across the Isthmus, and by the Pacific Mail to other ports, been? Have they been higher or lower than that charged on your own line?

Mr. BROWN. That has been subject to the local rates.

Mr. SHACKLEFORD. Which would make it a higher rate?

Mr. BROWN. Which would make it a higher rate.

Mr. SHACKLEFORD. I am trying to derive the policy of the road from your testimony. On the Pacific side you have no ships now, but rely entirely on the contracts you have with the Pacific Mail and some other ship lines?

Mr. BROWN. Entirely upon traffic agreements.

Mr. SHACKLEFORD. Traffic agreements control that entirely?

Mr. BROWN. Yes, sir.

Mr. TOWNSEND. Have you made any different arrangement since the United States acquired a majority of the stock?

Mr. BROWN. No, sir.

Mr. TOWNSEND. You have the same arrangements now that you had prior to that time?

Mr. BROWN. Precisely.

Mr. TOWNSEND. Have you had any applications for the privilege of a through bill of lading by any other companies?

Mr. BROWN. That would not come before me unless it was brought before the board.

Mr. TOWNSEND. Do you know about that?

Mr. SHACKLEFORD. Mr. Drake, I presume, would know that.

Mr. TOWNSEND. I wanted to know whether you know that?

Mr. BROWN. I would have to refresh my memory a little before I could answer the question definitely.

Mr. TOWNSEND. I do not know of anything else that I wanted to ask of Mr. Brown.

Mr. SHACKLEFORD. Mr. Brown, I will just ask you the general question, how would the value of the Panama Railroad be affected by discarding this ship line, which is now a part of its assets?

Mr. BROWN. I think that it would be affected very unfavorably.

Mr. SHACKLEFORD. To what extent?

Mr. BROWN. I think to the extent that it would be very difficult for it to—well, I think it would reduce its earnings very materially.

Mr. SHACKLEFORD. Discarding the ship line would have what effect on its operating expenses; would it pay them?

Mr. BROWN. No, sir; I do not think it would. It would not pay fixed charges. It certainly would not with the Pacific Mail on one side and these other lines on the other.

Mr. SHACKLEFORD. What is the reason of that?

Mr. BROWN. Because there the main feeder is this line.

Mr. STEVENS. Would not other ships be found to take their place?

Mr. BROWN. We do not think so. It has not been the case in previous experiments of that kind.

Mr. STEVENS. How long since there has been an opportunity for experiment?

Mr. BROWN. A few years ago; that is all on record. We gave the facts in New York last week, and you have the exact dates.

Mr. STEVENS. The coastwise laws do not apply to the traffic to the Isthmus?

Mr. BROWN. Not except on through trade. On through freight it would prohibit any foreign vessel from getting a through bill of lading. Of course you refer only to American points?

Mr. STEVENS. Yes, sir.

Mr. BROWN. Points where they have the flag? It would be impossible for foreign vessels to get through bills of lading?

Mr. STEVENS. And it is that through bill of lading that constitutes the principal value of those ships, and the principal freight that is carried goes on through bills of lading?

Mr. BROWN. Not necessarily. Foreign vessels of course would get a through bill of lading from foreign ports. The question is whether the Government having control of the railroad would be ready to enter into a commercial business, and prorate and give the through bill of lading. It could not be done from one American port to another.

Mr. SHACKLEFORD. Under the American flag?

Mr. BROWN. No, sir.

Mr. SHACKLEFORD. Are there no American lines that could compete in that line?

Mr. BROWN. I do not know what might turn up.

Mr. SHACKLEFORD. I mean, there are not now?

Mr. BROWN. No, sir.

Mr. SHACKLEFORD. You said to part with this line would depreciate the property very much?

Mr. BROWN. It would depreciate the property by reducing its earnings enormously.

Mr. ESCH. When were the three ships put on to the Atlantic in the company's service?

Mr. BROWN. In 1897.

Mr. SHACKLEFORD. Your contention now is that those ships ought to be retained in order that the company might make a dividend, or pay its fixed charges. Is it not a fact that prior to 1893 the company paid its fixed charges and dividends, and a fact that in one year it paid 34 per cent?

Mr. BROWN. Yes, sir.

Mr. ESCH. And then if the ships were taken off the service, or discontinued, might it not be possible still to continue to pay dividends, if it was possible prior to 1893?

Mr. BROWN. We had the connections prior to 1893 with the Pacific Mail.

Mr. ESCH. Of course you have the Pacific Mail now?

Mr. BROWN. That is only on the Pacific side, now. Previously we had it on both sides.

Mr. ESCH. On both sides?

Mr. BROWN. Yes, sir.

Mr. ESCH. That extended how far back?

Mr. BROWN. Twelve or fifteen years—to 1878.

Mr. ESCH. Twelve or fifteen years back?

Mr. BROWN. Yes, sir.

Mr. ESCH. Yet even prior to that time the company paid very considerable dividends, did it not?

Mr. BROWN. Yes, sir.

Mr. ESCH. Would it be possible to do that if the steamship line were discontinued?

Mr. BROWN. We do not think it would.

Mr. ESCH. You do not think it would?

Mr. BROWN. No, sir.

Mr. ESCH. Would it be possible to make dividends if you retained

the three ships on the Atlantic side and discontinued the contract with the Pacific Mail?

Mr. BROWN. It would disarrange the whole schedule. It depends altogether on what policy is to be adopted, and what is to be substituted for the Pacific Mail. Without some substitution, we still think that it would make a loss of business. In order to make a satisfactory and proper service, you must have one that is regular and efficient, and it can not be done by trusting to luck and taking your chances of having a ship here when you want it, or somewhere else. You must have regularity.

Mr. ESCH. Of course you have that now by requiring the Pacific Mail to make three trips a month?

Mr. BROWN. Yes, sir.

Mr. ESCH. And you make the same number of trips on the Atlantic?

Mr. BROWN. Yes, sir.

Mr. STEVENS. Do you know of any ships under the American flag that would be fitted for that service on the Atlantic side?

Mr. BROWN. I do not know of any available.

Mr. STEVENS. The number of ships under the flag is limited?

Mr. BROWN. Yes, sir.

Mr. LOVERING. What particular advantage has the Pacific Mail over any other possible connection on that side?

Mr. BROWN. They have a larger amount of tonnage at their disposal, and they run their business on business principles, and have had the experience in this trade of upward of fifty years. They have had upward of fifty years of this service. They have their agencies all along the coast and are fully equipped to carry out the contract.

Mr. LOVERING. Does the business that comes from the Panama Railroad constitute any very large proportion of the Pacific Mail business?

Mr. BROWN. I could not say what percentage it would be. I was just about to say that it was an important proportion; but Mr. Drake can answer that more definitely.

The CHAIRMAN. Mr. Brown, I would like to ask you if you said that the contract between the Panama Railroad Company and the Pacific Mail Steamship Company could be terminated after three years upon ninety days' notice?

Mr. BROWN. No, sir; the notice of termination has already been given.

The CHAIRMAN. Now, is that correct?

Mr. BROWN. That the notice has been given?

The CHAIRMAN. No, sir; but that either party may terminate that contract?

Mr. BROWN. Yes, sir; it is correct.

The CHAIRMAN. On the contrary, is it not true that the contract inures for three years, and may be continued for two more years at the request of either party?

Mr. BROWN. That is, assuming that the option of cancellation had not been availed of, which has been done.

The CHAIRMAN. Is there anything of that kind in there? Has not the Pacific Mail Company, under that stipulation, the right to continue that contract for two years?

Mr. WANGER (reading) :

Subject to the provisions of a contemporaneous agreement between the parties thereto, of even date herewith.

Mr. BROWN. What is the date of that agreement? You will see that it is to terminate at the end of so many years—two or three years.

Mr. SHACKLEFORD. But I think you will find that there is no clause by which either party may terminate it on notice.

The CHAIRMAN. Will you read that, Mr. Wanger?

Mr. WANGER (reading) :

Subject to the provisions of a contemporaneous agreement between the parties thereto, of even date herewith, this contract, except as herein otherwise expressly prescribed, shall remain in force for three years from the 11th day of June, 1902, and for the further period of two years if either party shall so elect, and if such party shall have given notice of such election to the other party at least ninety days before the expiration of the first term of three years.

The CHAIRMAN. Now, without some provision in the contemporaneous contract, I do not see how you will terminate that contract if the other party wants to continue it.

Mr. CROMWELL. Here is the contemporaneous contract to which that is made subject, which may not have been brought to your attention, Mr. Chairman [handing pamphlet to the chairman]. It is article 4.

The CHAIRMAN (after examination). This reads :

If at any time during the continuance of said traffic agreement, a majority of the shares of the railroad company or its railroad property shall be purchased or acquired by the United States of America, or by any person or persons representing it, or acting in its behalf, then either party hereto may give notice in writing to the other of its intention to terminate said traffic agreement, and at the expiration of six months from the giving of such notice the said traffic agreement and the previous articles of this agreement shall terminate, come to an end, and be utterly null and void thenceforth, anything in said traffic agreement or herein contained to the contrary notwithstanding.

Mr. BROWN. That is just the position, sir. That notice has been given.

The CHAIRMAN. Mr. Brown, I would like to ask you what is the total cost to the Panama Railroad Company of the maintenance of the offices in New York?

Mr. BROWN. That is a question that I can not answer offhand.

The CHAIRMAN. Approximate it.

Mr. BROWN. Well, I presume we have the figures here, but I will say that it is less than \$100,000.

The CHAIRMAN. Does that cover all of the expenses of the steamships and of the railroad?

Mr. BROWN. It covers all the expenses of the clerical force and office force, and such things. Of course it does not include the ships' officers or anything of that kind.

Mr. WANGER. And it does not include the salaries of the officers of the railroad company?

Mr. BROWN. I understand that is the whole amount.

The CHAIRMAN. What are the salaries paid the officers of the company in New York? What do they aggregate?

Mr. BROWN. I can not answer that.

The CHAIRMAN. I want to see how much the officers of this company know about the management of this business.

Mr. BROWN. Well, we have got quite a large number there, and it is impossible for me to carry all those figures in my mind.

The CHAIRMAN. Approximate it, if you please.

Mr. BROWN. I can not answer that question.

The CHAIRMAN. You can not answer it?

Mr. BROWN. No, sir.

The CHAIRMAN. Can you come within \$50,000 of it?

Mr. BROWN. Well, I do not care to guess about it, sir, at all.

The CHAIRMAN. What is your position in connection with the company?

Mr. BROWN. I am a director.

The CHAIRMAN. A director. What is your salary?

Mr. BROWN. None whatever.

The CHAIRMAN. You have no salary?

Mr. BROWN. No, sir.

The CHAIRMAN. No compensation?

Mr. BROWN. Director's fees.

The CHAIRMAN. Oh! What are the director's fees?

Mr. BROWN. The director's fees are \$25 a meeting attended; executive committee fees, \$10 a meeting attended.

The CHAIRMAN. How many meetings are there in a year?

Mr. BROWN. Well, the executive committee meets twice a week.

The CHAIRMAN. Twice a week?

Mr. BROWN. The board meetings are twice a month.

The CHAIRMAN. Then there are 24 and 104 meetings a year?

Mr. BROWN. Yes, sir.

The CHAIRMAN. At \$10 a meeting?

Mr. BROWN. Yes, sir. The board meetings, twice a month, are \$25.

The CHAIRMAN. \$25?

Mr. BROWN. Yes, sir. Those are the directors' meetings.

The CHAIRMAN. That does not amount to such a sum as might be designated "salary," in your judgment?

Mr. BROWN. No, sir; it does not. It is only paid in case you are there. If anything happens so that you do not go, you do not get the fee.

The CHAIRMAN. Are the meetings pretty generally full—fully attended, I mean?

Mr. BROWN. They are reasonably so.

The CHAIRMAN. What other salaries are paid there in the city of New York?

Mr. BROWN. In other corporations?

The CHAIRMAN. No sir; in this one.

Mr. BROWN. That is the only one I know of, sir. There is no other emolument that I know of, in any way, shape, or manner to directors.

The CHAIRMAN. Have you not salaried officers in connection with the railroad?

Mr. BROWN. Yes, sir; there are some salaried officers. There is the president.

The CHAIRMAN. What is his salary?

Mr. BROWN. We can give you the exact figures here.

The CHAIRMAN. Do you know or do you not know?

Mr. BROWN. Yes, sir; I know.

The CHAIRMAN. What is his salary?

Mr. BROWN. \$10,000.

The CHAIRMAN. What other officers get salaries?

Mr. BROWN. There is the vice-president and secretary.

The CHAIRMAN. What is the salary of the vice-president?

Mr. BROWN. Well, about \$8,000. I will not be sure whether it is \$500 more or less.

The CHAIRMAN. What is the salary of the secretary?

Mr. BROWN. That is embodied with that of vice-president. I referred to the two together.

The CHAIRMAN. The two offices are filled by one man?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Are there any other salaried officers?

Mr. BROWN. The heads of all the departments. There are the auditor and the treasurer and the traffic manager and the purchasing agents and various others.

The CHAIRMAN. Can you approximate what they aggregate?

Mr. BROWN. I could not answer without a list of the names. I did not expect to be questioned on that, and I have had no occasion recently to look up the matter, and I could not say offhand.

The CHAIRMAN. What change has been made in the salaries of any of these officers in recent years?

Mr. BROWN. I do not know, sir, that there has been any change at all.

The CHAIRMAN. It is the same. Is it not true that the expense account paid by the Panama Railroad last year in the city of New York—its business there—all of it, steamship and railroad, aggregated about \$200,000?

Mr. BROWN. I would like to have the stenographer read that question.

(The question was repeated by the stenographer.)

Mr. BROWN. I would like to know what is included in "expense account."

The CHAIRMAN. You take your definition of it.

Mr. BROWN. I have already stated that the expenses of the office were, to the best of my recollection, within \$100,000. That includes all clerical expenses. The disbursements of the ships and their supplies are separate.

The CHAIRMAN. What was the total expense paid out there, I mean in the city of New York, last year?

Mr. BROWN. You mean including dockage and cost of piers and cost of wharves?

The CHAIRMAN. Yes, sir; anything.

Mr. BROWN. I can not answer that.

The CHAIRMAN. Can you approximate it?

Mr. BROWN. No, sir; I can not.

The CHAIRMAN. Was it in excess of \$200,000?

Mr. BROWN. I can not say.

The CHAIRMAN. What percentage of the gross receipts of the Panama Railroad Company last year was expended for salaries, office rent, and similar expenses in the city of New York?

Mr. BROWN. I can not answer that question offhand.

The CHAIRMAN. Can you approximate it?

Mr. BROWN. No, sir.

The CHAIRMAN. Are you a member of the executive committee?

Mr. BROWN. I have been; yes, sir.

Mr. TOWNSEND. Are you not now?

Mr. BROWN. Yes, sir.

The CHAIRMAN. What were the gross receipts of the Panama Railroad Company last year?

Mr. BROWN. I do not carry those figures in my mind, sir, and it is impossible for me to answer any such questions. As I say, I have been connected with business elsewhere. I am, and for many years have been, the New York representative of the Cunard Steamship Company, and I am not one of the managing officers of the Panama Railroad Company: and those who can give you those things are here prepared to do so, and I am not prepared to answer.

The CHAIRMAN. What was the gross amount of fees—you speak of them as fees—received by you from the Panama Railroad Company last year?

Mr. BROWN. I do not know. I should say, offhand, something less than \$1,000, or about \$1,000.

The CHAIRMAN. How many directors and members of the executive committee were there last year?

Mr. BROWN. There were 5 members of the executive committee last year, and the full number of the members of the board is 13.

The CHAIRMAN. How many?

Mr. BROWN. Thirteen.

The CHAIRMAN. All of the members of the executive committee are members of the board are they?

Mr. BROWN. Yes, sir.

Mr. SHACKLEFORD. How many of the Canal Commission were on that executive committee?

Mr. BROWN. One; Mr. Parsons.

Mr. TOWNSEND. Did the members of the Canal Commission get the same fees that you did?

Mr. BROWN. I presume so. I was not the paymaster. I presume they were all paid the same.

Mr. Brown continued his testimony in a supplemental statement, which the subcommittee placed in the record, as follows:

[Panama Railroad Company. Panama Railroad. Panama Railroad Steamship Line.]

NEW YORK, *February 20, 1905.*

HON. D. W. SHACKLEFORD,

*Chairman Subcommittee Panama Inquiry,
Washington, D. C.*

DEAR SIR: In accordance with your request I submit my views regarding maintenance of the steamship line between New York and the Isthmus of Panama, in connection with the railroad.

I will say at the start that I strongly advocate a continuance of the present system of regular sailings, and a through connection with San Francisco and intermediate ports on the Pacific coast.

First. The steamship line is an important feeder to the railroad, and its withdrawal would mean a serious loss in revenue.

Second. The withdrawal of the line and substitution of steamers by independent parties would inevitably induce higher freight rates, as it is hardly to be expected outside interests would be content with the present percentage allowed by the railroad for sea transportation.

With 46 miles of land carriage against nearly 2,000 miles by sea, the demand for a larger percentage than now exists would not seem unreasonable.

This would mean reduced earnings for the railroad and increased freight rates to shippers, and the enormous amount of material, laborers, etc., to meet requirements of the Canal Commission would make the Government the heaviest sufferer.

Third. The irregularities and uncertainties of a disconnected service would tend to discourage all shipments via the Isthmus for points beyond, and force shippers to avail of the transcontinental railroads even at materially higher rates, as reliability, regularity, and dispatch are absolute essentials with all transportation companies.

Fourth. The through route to San Francisco via the Isthmus is the only check and regulator upon transcontinental rates, in corroboration of which statement you have only to refer to the past records and agreements between those lines and the Panama Railroad Company, as explained to you when in New York.

Fifth. Cancellation of existing agreement with Pacific Mail Steamship Company, discontinuing its service from Panama north to San Francisco, I think, will prove a mistaken policy. My views on this point are based upon the experience with which you are familiar through the recent inquiries and investigations of your committee at the company's offices in New York, when the failure of the "open-door policy" and the attempt to substitute outside ships for a thoroughly equipped and well-managed line were shown to have resulted in disaster and the practical bankruptcy of some of the parties interested.

The only possible adverse criticism which the Government can make to the Pacific Mail agreement is its exclusiveness; but without this, neither the Pacific Mail nor any other steamship line was willing to concede to the Panama Railroad Company the arbitrary fixing of rates which it was so manifestly in the interest of the railroad to control.

In this connection I would remind you that the agreement authorizes the railroad to practically fix all through rates, both east and west bound, which is really the key to the situation as a regulator of transcontinental rates.

Sixth. With the withdrawal of its regular and reliable feeders, the revenue of the Panama railroad would be so largely impaired that its ability to pay dividends or even fixed charges might reasonably be questioned.

Seventh. The suggestion to transfer the company's headquarters from New York to the Isthmus would, in my judgment, be a most unwise proceeding. New York is the great center of business, and if the steamship connection is to be maintained the advantages of New York are too conspicuous to require any argument. Here all business emanates, all contracts are made, ships outfitted and repaired, and this is the natural base of operations.

Very respectfully, yours,

VERNON H. BROWN.

STATEMENT OF MR. EDWARD A. DRAKE—Continued.

Vice-president and secretary of the Panama Railroad Company.

Mr. TOWNSEND. I think you testified the other day that you were the vice-president and secretary of the Panama Railroad Company?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. And that you had become vice-president on account of the resignation of Mr. Whaley, who was vice-president?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. You were going to give me the other day the date of his resignation.

Mr. DRAKE. It was September 13, 1904.

Mr. TOWNSEND. And since then you have acted as vice-president and secretary?

Mr. DRAKE. I had acted as vice-president and secretary for a short time before the beginning of the year. Mr. Whaley had retained his directorship, but had resigned as vice-president.

Mr. TOWNSEND. He was acting as vice-president with special reference to the tariff end of the business?

Mr. DRAKE. He had been a member of the board for many years.

Mr. TOWNSEND. Did you not testify, or somebody, that his duties as vice-president were to look especially after the interests of the Paris stockholders?

Mr. DRAKE. No, sir; I did not so testify.

Mr. TOWNSEND. Who did?

Mr. DRAKE. I do not know. Mr. Whaley was a very prominent engineer, who had been elected by the board as vice-president and general manager in 1895. He was particularly well qualified for the post. He visited the Isthmus regularly annually, and had entire charge of the care and operation of the property; and because of his familiarity with the language, being a polyglot, and being a man of large experience of railroad affairs and engineering, he looked after the affairs of the company both at home and abroad—in Europe. He attended the conferences abroad, being a man of sufficient ability to adequately represent the large interests involved in the company, and he was elected to his position on that account.

Mr. TOWNSEND. Mr. Simmons is the president, is he?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. I asked him these questions, and he answered at a former session, as I will read:

Mr. TOWNSEND. Mr. Simmons, can you tell me what duties the first vice-president performed prior to Mr. Whaley's resignation?

Mr. DRAKE. At the time Mr. Whaley was elected he was recommended to us very strongly, and among his recommendations were those of the principal shareholders, who were the French company.

Mr. TOWNSEND. Did he not state that the reason he resigned was because the Paris company had parted with its holdings, and there was no further need for him?

Mr. DRAKE. He had contemplated resigning for some time before he did, and when there was an entire change of ownership and an entire severance with the French company he resigned. He did not

resign at once, but remained as a director for some time, and then resigned.

Mr. TOWNSEND. What has been your compensation—I think you have answered this once, but for the satisfaction of the committee I will ask you again—as secretary, prior to your assuming the duties of vice-president?

Mr. DRAKE. I had acted as assistant general manager and secretary, and my salary was \$7,000. At the time of Mr. Whaley's resignation I was second vice-president and secretary, and my salary was \$8,500.

Mr. TOWNSEND. What is your salary now?

Mr. DRAKE. \$8,500, in the combined position of vice-president and secretary. It was not increased when Mr. Whaley resigned. I am the managing officer of the company to-day, under the direction of the president and executive committee.

Mr. TOWNSEND. Is Mr. Cromwell one of them?

Mr. DRAKE. His law firm, Messrs. Sullivan & Cromwell, are general counsel of the company.

Mr. TOWNSEND. Has he a salary?

Mr. DRAKE. He has an annual retainer, as is customary.

Mr. TOWNSEND. Of how much?

Mr. DRAKE. \$6,000 a year.

Mr. TOWNSEND. Does he have any compensation besides that?

Mr. DRAKE. We have, very infrequently, had to fall back on a provision for other services of a legal nature whenever we have had occasion to have our counsel represent us in court, when they have had to try causes, argue cases, and especial service of that sort. There is a provision that counsel should receive additional compensation in such case only—suits in court.

Mr. TOWNSEND. Can you tell what compensation he has received since April, 1902? Your reports, I believe, are to the end of the calendar year?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Since December 31, 1901, then?

Mr. DRAKE. Nothing above his \$6,000, except in one large suit in an English court about \$3,000 and in a suit securing to us title to bonds about \$2,500. There have been no other cases, and we have had no other pleadings in court. It is a general retainer that we pay the firm to cover all current work. I can tell by reference to the documents. It would be almost impossible without so doing for me to subdivide. I can tell you without looking at any documents, though, that there has been nothing

Mr. TOWNSEND. How can you tell?

Mr. DRAKE. There is nothing to indicate that he received anything more than his annual retainer other than I have indicated. There are small cases of course arising continually, on which there are incidental expenses; for instance, expenses of the steamship line, of the piers, and suits for damages and adjustments that are chargeable to legal expenses. The expenses themselves are all charged in our subdivision of accounts to "legal expenses," so that while, if I were to state the amount of \$10,000 which appears here it would indicate that it had been all paid to Mr. Cromwell's firm, while as a matter of fact it has not. I am safe in saying that the firm of Mr. Cromwell has received in three years not exceeding two thousand a year for

extra service regularly reported and on our files. The general item includes attorneys on the isthmus and our attorneys at Bogota.

Mr. TOWNSEND. You spoke of incidental expenses?

Mr. DRAKE. That includes the cost of telegraphing or typewriting, and expenses incidental to settlement of suits, and he received, of course, the attendance fee of \$25 a meeting for attending directors' meetings.

Mr. TOWNSEND. That is for his attendance at meetings?

Mr. DRAKE. Yes, sir; whenever he attends.

Mr. TOWNSEND. He is a member of the executive committee?

Mr. DRAKE. Of the executive committee and of the board.

Mr. TOWNSEND. Did Mr. Simmons, who was president, receive also an additional fee for his attendance on meetings?

Mr. DRAKE. Yes, sir; he did.

Mr. TOWNSEND. In addition to his salary?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. So that if he had attended them all he would have received \$1,640 per annum?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Do you know whether he did receive that or not?

Mr. DRAKE. I do not know just what he received. We have in this summary a lump sum charged to committee and board fees. He was very regular in his attendance—seldom absent, as the records show.

Mr. TOWNSEND. Did you keep an accurate account of these?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Can you give them?

Mr. DRAKE. The treasurer can. That is, a detailed account. The directors' and committee fees account in 1904 is \$8,920 for 11 months to November 30. That is the total amount expended for directors

The CHAIRMAN. Is not that the uniform charge for every member of the directory?

Mr. DRAKE. No, sir.

The CHAIRMAN. Do not they get their fees whether they attend or not, and is not that the aggregate, the total, of the fees for attendance?

Mr. DRAKE. No, sir; they do not get their fees unless they attend.

The CHAIRMAN. Will you now turn to your report there and show what sum was paid to each one?

Mr. DRAKE. I could not do that. That would be shown by the vouchers and by the roll book.

Mr. RICHARDSON. You mean to say that they only got their fees when they attended?

Mr. DRAKE. Only when they attended. It is customary with some corporations to disburse the entire amount involved in fees for meetings of their executive committee, and to distribute it pro rata to those who attend, but that is not our custom.

Mr. RICHARDSON. Do they usually attend?

Mr. DRAKE. The attendance is fair and regular.

Mr. TOWNSEND. I think you answered the question, but what was the total amount paid?

Mr. DRAKE. For the 11 months of 1904 it was \$8,920. I do not know what proportion of that sum should be divided between attendance of directors and the attendance of members of the executive committee. The committee consists of six and the board consists of 13 members.

Mr. TOWNSEND. Do you know how much it would have amounted to if they had each drawn \$1,640 a year, the largest possible amount?

Mr. DRAKE. It would be \$13,440.

Mr. TOWNSEND. So that they did not all draw their full amount?

Mr. DRAKE. Oh, no, sir. There is always a quorum present to attend the meetings of the board, and it frequently occurs that the entire board is present. There is almost always in excess of a quorum present at meetings of both the board and the committee. A quorum of the board is 5 and of the committee 3. There is almost always an attendance of four of the committee and very frequently of all of them, but rarely of all.

Mr. TOWNSEND. I will ask you, as Mr. Brown did not seem to know for sure, whether these canal commissioners who were acting as directors received the \$25 a time for attending meetings of the board?

Mr. DRAKE. They did, sir. When they attended the first meeting after their election there was some hesitancy about accepting it. In fact, one director filed with us a letter, saying that he believed in the restriction—or rather that, under his construction of the President's letter, he was not entitled to receive it.

Mr. TOWNSEND. Which one was that?

Mr. DRAKE. Mr. Gunsby. Later on—I do not know that it is proper for me to say this—upon an appeal to a ruling power, it was decided that the intention of that letter was not to invade the practices of the railroad company, and that they were entitled to receive the fees which were disbursed customarily. In fact, it would have been invidious not to pay them. It would have raised the question as to whether any of the directors should receive their fees.

Mr. MANN. We know usually what we refer to when we say “a ruling power:” in this case what was this power?

Mr. DRAKE. I do not know, sir.

Mr. MANN. How do you know that it was “a ruling power?”

Mr. DRAKE. It was decided that they could accept their fees, and from that time they have done so regularly.

Mr. TOWNSEND. Now, you were going to analyze the item on page 17 of your annual report. Those items are all about the same. I refer to the 1903 one in particular. I think they are paged in the same way. This is on page 17 of the annual report to the stockholders by the Panama Railroad Company, dated as of December 31, 1903. It shows a balance to the credit of profit and loss of \$4,191,929.91. You were going to analyze that proposition for us, so that we would understand what was included in that item.

Mr. DRAKE. Yes, sir; agreeably to your request made at the New York session, the treasurer has prepared the exhibits you desired and has certified to them. They are as follows: (1) Analysis of balance sheet as of December 31, 1902; (2) analysis of balance sheet as of December 31, 1903; (3) statement showing additions to property or capital expenditures paid for out of net earnings as of 1903.

In addition to these the treasurer has prepared and certified as your committee requested: (4) Condensed statement of profit and loss account from December 31, 1896, to December 31, 1902, showing the balance December 31, 1902, of \$4,201,587.09; (5) condensed statement of same account from December 31, 1896, to December 31, 1903, showing the balance of \$4,191,929.91.

The CHAIRMAN. These will be marked as Exhibits 8 to 14, inclusive.

EXHIBIT 8-9.

Analysis of balance sheet of the Panama Railroad Company, December 31, 1902.

ASSETS.

Current assets:

Coal and supplies on hand	\$187,682.74
Due from connecting companies	123,949.27
Due from United States Government	21,025.15
Due from Republic of Colombia	21,367.21
Due from companies and individuals	55,279.95
Accrued interest on deposits	6,677.06
Accrued interest on securities owned	2,047.50
Unadjusted accounts	79,515.71
Prepaid insurance and charter of steamers	19,506.27

\$517,050.86

LIABILITIES.

Accrued interest on bonds	37,332.50
Fund for redemption of bonds	137,625.85
Due Republic of Colombia	21,875.00
Allowance to cover excess interest over contract rate on $4\frac{1}{2}$ per cent bonds sold to prepay indebtedness due the contractors for new terminal at La Boca on October 15, 1905	39,386.44
Current liabilities:	
Isthmus drafts not presented	13,591.11
Cupons not presented	7,247.50
Audited vouchers	53,632.21
Unclaimed dividends	117.00
Due deceased or missing employees	2,230.70

313,038.31

Balance due Panama Railroad Company	204,012.55
Improvement and construction accounts	114,456.98
Fund for replacement of boilers and special repairs to tugs	22,544.88
Cash in banks and with agents	471,525.50
Investment of surplus earnings:	
Additions to property paid out for earnings as per statement	\$1,627,604.44
Bonds in treasury purchased out of earnings	203,037.50
	1,830,641.94
Cost of road and equipment	12,572,009.68
Less additions to property paid for out of earnings	1,627,604.44
	10,944,405.24
Bonds and stock amount to	\$10,299,000.00
Less bonds in treasury (unissued)	913,000.00
	9,386,000.00
	1,558,405.24
Balance to credit of profit and loss	4,201,587.09

SUMMARY.

Balance of assets and liabilities due Panama Railroad Company	204,012.55
Suspense accounts, in process of transfer to operating expenses:	
Improvement and construction accounts	\$114,456.98
Fund for replacement of boilers and special repairs to tugs	22,544.88
	137,001.86
Cash in banks and with agents	471,525.50
Investment of surplus earnings	1,830,641.94
Cost of road and equipment in excess of bonds and stock issued	1,558,405.24
	4,201,587.09
Cash in banks and with agents, as stated above	471,525.50

The source from whence this cash was derived is as follows: From receipts for transportation of freight, treasure, mails, baggage, and passengers; from interest and exchange, lighterage, water supplied shipping, rental of property, wharfage and light dues at Colon, wharfage at Panama and La Boca, storage and freight handling, telegraph, ballast, etc.; from sale of coal and supplies and work done at machine shops for the public.

S. DEMING, *Treasurer*.

FEBRUARY 17, 1905.

EXHIBIT 10.

Statement showing additions to property or capital expenditures paid for out of net earnings.

1895. Steamers <i>Allianca</i> , <i>Finance</i> , and <i>Advance</i> -----	\$336,655.50
1896. Two steel lighters-----	24,393.35
1896. Land at Bohio-----	2,500.00
1896-97. Water tank and pipes to connect Monkey Hill reservoir--	3,464.81
1897. Installation of electric plants, providing new staterooms, and other additions on steamers mentioned above-----	33,513.77
1898. New floating pile driver-----	7,428.03
1901. Electric-light plant, Colon-----	10,055.19
1901. Ice-making plant, Colon-----	6,792.70
1901. Dredging attachment for floating pile driver-----	1,083.34
1901-2. New tracks, Colon yard-----	12,462.48
1901-2. Improvements to pier No. 2, Colon-----	12,313.53
1901-2. Three new coal lighters-----	36,342.40
1897-1902. New terminal at La Boca-----	\$2,220,357.13
Less provided by disposal of bonds-----	1,087,000.00
	<hr/>
	1,333,357.13
1902. Filling lagoon north of pier No. 1, Colon-----	4,100.73
1902. Tank at Pedro Miguel-----	3,141.48
	<hr/>
	1,627,604.44

FEBRUARY 17, 1905.

S. DEMING, *Treasurer*.

EXHIBIT 11-12.

Analysis of balance sheet of the Panama Railroad Company, December 31, 1903.

ASSETS.

Current assets:

Coal and supplies on hand-----	\$176,412.86
Due from connecting companies-----	108,060.58
Due from United States Government-----	24,437.16
Due from Republic of Colombia-----	4,999.93
Due from companies and individuals-----	48,078.50
Accrued interest on deposits-----	13,682.96
Accrued interest on securities owned-----	1,777.50
Unadjusted accounts-----	12,513.33
Prepaid insurance and charter of steamers-----	17,595.93
	<hr/>
	\$407,558.75

LIABILITIES.

Accrued interest on bonds-----	34,137.50
Fund for redemption of bonds-----	138,951.78
Due Republic of Panama-----	21,875.00
Allowance to cover excess interest over contract rate on 4½ per cent bonds sold to prepay indebtedness due the contractors for new terminal at La Boca on October 15, 1905-----	26,061.95

Current liabilities:

Isthmus drafts not presented	\$11,100.95	
Coupons not presented	1,562.50	
Audited vouchers	97,941.51	
Unclaimed dividends	119.00	
Due deceased or missing employees	2,199.02	
		\$333,949.21
Balance due Panama Railroad Company		73,609.54
Improvement and construction accounts		55,570.50
Fund for replacement of boilers and special repairs to tugs		34,002.59
Cash on hand		469,994.66
Investment of surplus earnings:		
Additions to property paid for out of earnings, as per statement	\$1,627,604.44	
Bonds in treasury purchased out of earnings	176,037.50	
		1,803,641.94
Cost of road and equipment	12,628,715.12	
Less additions to property paid for out of earnings	1,627,604.44	
		11,001,110.68
Bonds and stock amount to	\$10,159,000.00	
Less bonds in treasury (unissued)	913,000.00	
		9,246,000.00
		1,755,110.68
Balance to credit of profit and loss		4,191,929.91

SUMMARY.

Balance of assets and liabilities due Panama Railroad Company ..	\$73,609.54
Suspense accounts, in process of transfer to operating expenses:	
Improvement and construction accounts	\$55,570.50
Fund for replacement of boilers and special re- pairs to tugs	34,002.59
	89,573.09
Cash in banks and with agents	469,994.66
Investment of surplus earnings	1,803,641.94
Cost of road and equipment in excess of bonds and stock issued ..	1,755,110.68
	4,191,929.91
Cash in banks and with agents, as stated above	469,994.66

The source from which this cash was derived is as follows: From receipts for transportation of freight, treasure, mails, baggage, and passengers; from interest and exchange, lighterage, water supplied shipping, rental of property, wharfage and light dues at Colon, wharfage at Panama and La Boca, storage and freight handling, telegraph, ballast, etc.; from sale of coal and supplies and work done at machine shops for the public.

S. DEMING, *Treasurer.*

FEBRUARY 17, 1905.

EXHIBIT 13.

PANAMA RAILROAD COMPANY.

Condensed statement of profit and loss account from December 31, 1896, to December 31, 1902.

Balance to credit of profit and loss December 31, 1896..... \$587,465.79

CREDITS.

Balance to credit of voluntary sinking fund October 10, 1897, transferred to this account, and which was applied as follows:

693 general mortgage 7 per cent bonds due October 10, 1897, acquired by purchase, canceled by trustees..... \$693,000.00

Balance required in addition to proceeds of sale of 2,000 4½ per cent first-mortgage bonds to retire 2,686 general mortgage 7 per cent bonds outstanding in hands of public, due October 10, 1897..... 705,088.34

312 6 per cent sinking-fund bonds transferred to the treasury..... 312,000.00

1,710,088.34

Net earnings, less dividends paid:

Earnings for 1897..... 409,873.37

Earnings for 1898..... 266,746.73

Earnings for 1899..... 295,231.77

Earnings for 1900..... 446,764.68

Earnings for 1901..... 259,590.12

Earnings for 1902..... 295,384.40

1,973,591.07

Less dividends:

1901, 2 per cent..... \$140,000.00

1902, 4 per cent..... 280,000.00

420,000.00

1,553,591.07

First mortgage 4½ per cent bonds redeemed and canceled:

October 1, 1898, 141 bonds..... 141,000.00

October 1, 1899, 140 bonds..... 140,000.00

October 1, 1900, 139 bonds..... 139,000.00

October 1, 1901, 141 bonds..... 141,000.00

October 1, 1902, 140 bonds..... 140,000.00

701,000.00

4,552,145.20

DEBITS.

Worn-out equipment (less value of usable parts), viz. locomotives, cars, lighters, and water boat written off 1897-1902..... \$253,509.38

Expenses incident to the retirement of the general mortgage, 7 per cent bonds, due October 10, 1897, and the issuance of the first mortgage, 4½ per cent bonds replacing the former in part..... 27,128.13

Uncollectible accounts written off and adjustment of sundry accounts, 1897-1902, net..... 69,920.60

350,558.11

Balance to credit of profit and loss December 31, 1902..... 4,201,587.90

S. DEMING, *Treasurer.*

FEBRUARY, 17, 1905.

EXHIBIT 14.

PANAMA RAILROAD COMPANY.

Condensed statement of profit and loss account from December 31, 1896, to December 31, 1903.

Balance to credit of profit and loss December 31, 1896..... \$587,465.79

CREDITS.

Balance to credit of voluntary sinking fund October 10, 1897, transferred to this account, and which was applied as follows:

693 general mortgage 7 per cent bonds, due October 10, 1897, acquired by purchase, canceled by trustees.....	\$693,000.00
Balance required in addition to proceeds sale of 2,000 4½ per cent first mortgage bonds to retire 2,686 general mortgage 7 per cent bonds outstanding in hands of public, due October 10, 1897.....	705,088.34
312 6 per cent sinking fund bonds transferred to the Treasury.....	312,000.00
	<hr/>
	1,710,088.34

Net earnings, less dividends paid:

Earnings for 1897.....	409,873.37
Earnings for 1898.....	266,746.73
Earnings for 1899.....	295,231.77
Earnings for 1900.....	446,764.68
Earnings for 1901.....	259,590.12
Earnings for 1902.....	295,384.40
Earnings for 1903.....	401,068.30
	<hr/>
	2,374,659.37

Less dividends:

1901, 2 per cent.....	\$140,000
1902, 4 per cent.....	280,000
1903, 8 per cent.....	560,000
	<hr/>
	980,000.00

1,394,659.37

First mortgage 4½ per cent bonds redeemed and canceled:

October 1, 1898, 141 bonds.....	141,000.00
October 1, 1899, 140 bonds.....	140,000.00
October 1, 1900, 139 bonds.....	139,000.00
October 1, 1901, 141 bonds.....	141,000.00
October 1, 1902, 140 bonds.....	140,000.00
October 1, 1903, 140 bonds.....	140,000.00
	<hr/>
	841,000.00

4,533,213.50

DEBITS.

Worn out equipment (less value of usable parts), viz: Locomotives, cars, lighters, and water boat, written off 1897-1903.....	252,969.38
Expenses incident to the retirement of the general mortgage 7 per cent bonds due October 10, 1897, and the issuance of the first mortgage 4½ per cent bonds replacing the former in part.....	27,128.13
Uncollectable accounts written off and adjustment of sundry accounts, 1897-1903, net.....	61,186.08
	<hr/>
	341,283.59

Balance to credit of profit and loss December 31, 1903..... 4,191,929.91

S. DEMING, *Treasurer.*

Mr. TOWNSEND. Before we reach this analysis, and in connection with it, Mr. Drake, I will ask you this: When you paid the dividends for 1902 to the stockholders of the company, did you sell or reissue any of the bonds which were being held in the treasury up to that time?

Mr. DRAKE. No, sir.

Mr. TOWNSEND. Did you have cash in sufficient amount to pay that dividend?

Mr. DRAKE. Yes, sir. It was paid out of current cash.

Mr. TOWNSEND. What?

Mr. DRAKE. It was paid out of current cash.

Mr. TOWNSEND. You have not issued any bonds, as I understand you, of any character since 1897?

Mr. DRAKE. No. There was only one issue of the bonds, the first mortgage $4\frac{1}{2}$ per cent bonds. There was an authorization for the issue of 4,000.

Mr. TOWNSEND. Four thousand or four million?

Mr. DRAKE. Four thousand \$1,000 bonds, amounting to \$4,000,000.

Mr. SHACKLEFORD. The current cash out of which you paid the dividends was cash that had been derived from the sale of the bonds of the company?

Mr. DRAKE. You will see from the schedule I have presented that we could not have paid dividends with proceeds of bonds, for we state specifically how we otherwise disposed of those proceeds. Here is the schedule: "Current cash" is the general receptacle for cash from all sources. For instance, the Panama Railroad Company had night before last, when I left the office, \$500,000 in cash, in addition to its free bonds, \$773,000.

EXHIBIT 6 J.

Memorandum concerning sale of 4 1-2 per cent bonds.

How issued or disposed of:

Bonds sold to retire 7 per cent bonds and proceeds so applied.....	2,000
Bonds sold account La Boca wharf and proceeds so applied.....	1,087
Bonds sold account rebuilding ships and proceeds so applied.....	265
Bonds balance in hand (one since called and redeemed).....	^a 648

Total authorized issue 4,000

Present standing or location of bonds:

Bonds in hands of public.....	2,372
Bonds redeemed by trustees.....	981
Bonds in Treasury by purchase.....	^b 21
Bonds in treasury.....	^b 626

Total authorized issue..... 4,000

Mr. SHACKLEFORD. In that fund of current cash was contained money received from bonds issued to build that wharf? There was an excess of cash over and above the cost of building the Boca wharf extension, and that was a part of the cash out of which you paid a dividend?

^a 22 of these were drawn by the trustees for redemption October 1, 1904, thus leaving 626 unissued bonds in treasury, as per following statement:

^b 647,000.

MR. DRAKE. It was an excess (\$119,000) of proceeds from the sale of bonds sold to provide money to pay the contractor. That was covered into "cash," naturally, because the bonds represented the earnings that had been used for construction, and the 119,000 was passed into cash.

MR. ESCIL. Did you not issue \$265,000 for the repair of the steamers?

MR. DRAKE. I spoke of an authorized issue of 4,000. The emission up to that total has continued at various times and includes 265 bonds issued for the rebuilding of the steamers.

MR. SHACKLEFORD. How much was that?

MR. DRAKE. Four thousand bonds, or \$4,000,000, which replaced the 4,000,000 sterling 7 per cent loan.

MR. SHACKLEFORD. Of the outstanding bonds against the company, how many are there?

MR. DRAKE. Of the outstanding bonds against the company, 2,372, \$2,372,000.

MR. SHACKLEFORD. They go to make this credit to profit and loss?

MR. DRAKE. No, sir.

MR. TOWNSEND. Can you turn to that page there to which I have referred?

MR. DRAKE. Yes, sir.

MR. TOWNSEND. Will you please analyze that proposition for us, and tell us what that balance of \$4,191,929.91 is composed of?

MR. DRAKE. It is made up of the——

MR. TOWNSEND. What page are you reading from?

MR. DRAKE. From page 13 of one of the exhibits. At the time of the redemption of the 7 per cent sterling bonds the company applied \$705,000 cash as a contribution to the redemption of the outstanding mortgage. There were something like \$3,000,000 of bonds outstanding, and they had to be redeemed.

In anticipation of the maturing of that debt, the company, which has always been extremely conservative, had voluntarily provided a sinking fund, and had piled up liquid assets to meet that indebtedness; and, in addition, 2,000 of the 4,000 4½ per cent bonds authorized were sold, and from that sale the company contributed sufficient to exterminate that indebtedness, to redeem and cancel the outstanding bonds. This first item of \$705,000 was the contribution made at that time.

MR. TOWNSEND. In cash?

MR. DRAKE. Yes, sir; in cash. I would like to impress it upon the committee that that fund was established voluntarily, and the securities remained within the company's control absolutely.

MR. TOWNSEND. What effect did that have on this item of \$4,000,000? You parted with the cash. Have you canceled the bonds?

MR. DRAKE. We canceled the bonds that were paid; yes, sir.

THE CHAIRMAN. How is that?

MR. DRAKE. We destroyed the 7 per cent sterling bonds that were retired.

MR. TOWNSEND. How could you carry that as an item to the credit of the profit and loss account?

MR. DRAKE. The \$705,088 was a contribution from earnings, and was used to liquidate a capital indebtedness. It was part of the net earnings of the company.

Mr. TOWNSEND. So that this item which you have stated—if not to-day, at some other time—is acceptable for the payment of dividends, is composed of a book account?

Mr. DRAKE. Not necessarily of a book account. It shows in this total to which the stockholders are legally, I might say and morally, entitled, because it was out of earnings.

Mr. TOWNSEND. How would they manage to pay a dividend if you wanted to rely on that alone?

Mr. DRAKE. If that method were to be adopted by the directors, as has been done in the history of the company, to issue a scrip dividend. As a matter of fact, there was nothing of that kind done, however. It has nothing to do with the dividends that have been declared. They were declared out of earnings. It is a record of credit to be proud of, I assure you, gentlemen. You might ask what has become of the property cost of \$7,000,000 in the outset. You might ask what there is to show for the cost. You would be entitled to something to represent that cost. That you have got this large surplus over the \$7,000,000 and debt is due to the conservative manner in which the property has been managed.

Mr. TOWNSEND. I see that; but is this item an item that can be used for the payment of dividends?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Tell me how you could use that payment of \$705,000, which represented cash that you had taken out of the treasury, to redeem the sterling bonds to that amount and cancel them?

Mr. DRAKE. I answered that once, and I can answer it again by saying that you reduced the mortgage indebtedness on your property. The cost of the property had to be charged to capital account. You reduced the lien against the property, as you had placed a mortgage on it and issued bonds for it, and it came, by the action of your directors, to pass to your shareholders the increment which they were entitled to as shareholders in excess of the original cost. It is done continually. It has been done; it is a common practice of corporations.

The CHAIRMAN. That would be true when you paid off the bonds with earnings; but suppose that you paid from the results of other sales of bonds, is it then equally true?

Mr. DRAKE. No, sir; for that would be paying an indebtedness with an indebtedness.

The CHAIRMAN. Certainly. Was not some portion of this sum the result of the sale of bonds?

Mr. DRAKE. No, sir.

The CHAIRMAN. I thought you said two millions of the four millions of the 4½ per cent bonds were sold?

Mr. DRAKE. Excuse me. That refers to a later date. That was subsequent to this payment.

The CHAIRMAN. I understood you to say that this was cash?

Mr. DRAKE. Yes, sir; cash we took out prior to the maturing of the 7 per cent sterling loan. The company had made a practice of investing in outside securities and in its own securities, buying them in the open market for investment of its surplus earnings. For instance, we have now \$22,000 of the 4½ per cent bonds that we bought in the open market. We considered them a good investment and we bought

them. We have at the same time \$126,000 of the subsidy 6 per cent bonds, which were acquired in the same way prior to the liquidation of the 7 per cent sterling bonds, and as the sale of part of those securities was necessary at that time to produce cash, the proceeds were applied to the liquidation of the 7 per cent sterling mortgage bonds. Some slight residue remained and it was carried into liquid cash, where it belonged. No evidence of that accumulation was ever issued to the shareholders. The mortgage indebtedness which before that had been a four million dollar indebtedness was reduced to a two million dollar indebtedness, as a result of such application of earnings. Unquestionably the stockholders were entitled to something to represent their earnings on their invested capital if the usual course adopted by corporations had been followed. Instead they have been carried through the annual balances to this profit and loss account, and if to-day it were part of the policy of the board of directors, this entire amount that shows to the credit of the profit and loss account could properly be issued to the stockholders.

Mr. TOWNSEND. Now, will you explain the next item—the 7 per cent mortgage bonds?

Mr. DRAKE. It follows along in the same way. They were in the voluntary sinking fund and had been acquired with cash out of earnings.

Mr. TOWNSEND. Before they were due?

Mr. DRAKE. Yes, sir. They were held as an investment in the treasury of the company prior to their maturity.

Mr. TOWNSEND. Are they in there now?

Mr. DRAKE. No, sir; they were contributed for redemption of the sterling mortgage in 1897.

Mr. TOWNSEND. How?

Mr. DRAKE. The bonds at their face value were contributed toward the payment of the 7 per cent mortgage.

Mr. TOWNSEND. So that that item of \$693,000 is not now included in this balance of profit and loss?

Mr. DRAKE. Yes, sir; it is, because earnings were taken for their purchase.

Mr. TOWNSEND. Now, take the next item.

Mr. DRAKE. It is a similar case. The accumulations held in the treasury included three hundred and twelve of the company's 6 per cent subsidy bonds bought with earnings.

Mr. TOWNSEND. Is any part of that \$312,000 now in the Treasury?

Mr. DRAKE. \$126,000 of that lot of bonds are in the Treasury to-day.

Mr. TOWNSEND. So that is included in that item?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. How about the additions to the property?

Mr. DRAKE. If you will turn to page No. 7, additions to property, the aggregate outlay for that purpose is stated there. That is, approximately. Of course there are many other items of smaller amount that are not added. It represents the additions that have been made to the permanent construction of the road—\$1,278,000.

Mr. TOWNSEND. It is part of the capital?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Now, that is carried at that full amount in this item, is it—the \$1,278,216.84, which you say is estimated?

Mr. DRAKE. No, sir; I said there were smaller items that might not be included. It represents the principal additions, all that are chargeable to capital account.

Mr. TOWNSEND. Now, the next item is the redemption of Panama Railroad Company 4½ per cent first mortgage bonds, \$981,000.

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. What is the condition of those? Are they in the treasury now?

Mr. DRAKE. They are canceled.

Mr. TOWNSEND. And they are not in the treasury?

Mr. DRAKE. Not in the treasury. But the money has been expended from earnings to redeem them every year, as I stated a moment ago.

Mr. TOWNSEND. So that is the same condition as the \$705,000?

Mr. DRAKE. Yes, sir; it is a contribution from cash.

Mr. TOWNSEND. The next item is \$21,987.50. Panama Railroad Company's first mortgage 4½ per cent bonds. Are they still in the treasury?

Mr. DRAKE. Yes, sir. They were bought in the open market and are in the treasury as a liquid asset.

Mr. TOWNSEND. You wrote out of that a depreciation of equipment?

Mr. DRAKE. That is for equipment and material which is destroyed or becomes so worn out and can not be reconstructed.

Mr. TOWNSEND. That is the only way that you count depreciation, when it can not be used?

Mr. DRAKE. Yes, sir; that is destroyed and thrown on the scrap heap; for we maintain it otherwise as a current operating expense.

Mr. TOWNSEND. Then it can not be used?

Mr. DRAKE. No, sir; unless it be sold as "scrap."

Mr. TOWNSEND. Do you write off every year a certain amount for depreciation of your equipment aside from that that is actually worthless?

Mr. DRAKE. No, sir. On the other hand, we have made large expenditures each year to keep up the equipment.

Mr. TOWNSEND. Do you not add to your capital when you do that?

Mr. DRAKE. No sir; that outlay is charged to operating expenses and maintenance of plant—hence if a lighter were lost, or a car were destroyed, or a train were ruined so that it was absolutely useless, its cost, if not replaced, would be "written off" to profit and loss account, and if replaced would be charged to operation.

Mr. TOWNSEND. And you would deduct from that anything that was lost?

Mr. DRAKE. Anything that was reconstruction we would charge to capital account, and anything that was not permanent improvement, to operating expense.

Mr. TOWNSEND. Would you deduct the article that was actually destroyed, or deduct its cost price?

Mr. DRAKE. We deduct the cost as it stands on the books. I can best illustrate what I want to say by answering your questions. We have 22 lighters in the Bay of Panama which are of the capacity of from 50 to 150 tons. If any one of these becomes useless and is destroyed, failing to find the individual invoice in the records, we

have to approximate by taking an average cost and write off the value so established.

Mr. TOWNSEND. Now, you said a while ago that you keep your equipment up to par all the time?

Mr. DRAKE. Yes, sir; there are no complaints regarding its condition, despite its age.

Mr. TOWNSEND. And you do have something once in a while that you have to destroy entirely?

Mr. DRAKE. Yes, sir; such as lighters and cars.

Mr. TOWNSEND. Lighters and tugs, and so forth?

Mr. DRAKE. Yes, sir. Those are what you will find written off. I have in mind two or three lighters and a tug in the Bay of Colon. Then cars are destroyed, and things of that kind.

Mr. TOWNSEND. As I understand it, looking at page 13 of Exhibit No. 6, the only item aside from cash, possibly, is the second item of \$693,000, and that does not appear in your balance of profit and loss.

Mr. DRAKE. I do not think I said so, sir. I think it does appear.

Mr. TOWNSEND. I understood you to say that that had been disposed of now.

Mr. DRAKE. No, sir. We applied \$693,000 of accumulated earnings to the purchase of the \$693,000 7 per cent sterling bonds, and we had them in the treasury prior to the redemption of the bonds.

Mr. TOWNSEND. What I mean now is that you have redeemed the bonds, so that is no longer an item in that balance sheet?

Mr. DRAKE. The indebtedness was paid at that time with current earnings and the proceeds of the sale of 2,000 first mortgage $4\frac{1}{2}$ per cent gold bonds.

Mr. TOWNSEND. Now, aside from that item and your dividends which you have declared since December 31, 1903, your balance sheet of 1904, or of November, 1904—that is the latest that you have, I believe—for eleven months; you have it only for eleven months?

Mr. DRAKE. That is all. The returns for the year are not all in.

Mr. TOWNSEND. Then what should that balance be to the credit of profit and loss in November, 1904?

Mr. DRAKE. I have not the balance——

Mr. TOWNSEND. Let us assume that you have it, and just answer this question. Your balance of 1904 would be a balance; would it be the balance of December 31, 1903, less the dividends you have paid out, and item No. 2 on page 13 of Exhibit 6, \$693,000?

Mr. DRAKE. It would be the balance shown in the report of 1903, plus the earnings to April 1, 1904, and less the amount of disbursements during same period of 1904.

Mr. TOWNSEND. Now, what disbursements would you take out of that?

Mr. DRAKE. Such disbursements as for dividends and operating expenses, appropriations for depreciation, fixed charges, uncollectible moneys, and items of that kind.

Mr. LOVERING. Is there not \$150,000 for sinking fund taken out?

Mr. DRAKE. That is for the redemption of $4\frac{1}{2}$ per cents.

Mr. TOWNSEND. Does that come out, too?

Mr. DRAKE. The proportion of that would be credited.

Mr. TOWNSEND. Now, I think I asked you some questions the other day, but I notice that our examination at that time was interrupted

frequently by different people testifying, so that I do not know exactly who was testifying.

Mr. DRAKE. I have every desire to have you get all the information.

Mr. TOWNSEND. Yes; that is all right. We will get it all right. Now, you first had negotiations with the Government, who submitted a proposition for the purchase, or the Panama Canal Company did submit a proposition for the purchase of their property in the spring of 1902, as I understand it?

Mr. DRAKE. You will please understand that I represent only the railroad company. I had nothing to do with this negotiation.

Mr. TOWNSEND. Perhaps Mr. Cromwell did.

Mr. DRAKE. And I would like to emphasize the fact that the autonomy of the railroad company has always been maintained. The canal company stood in the same position the United States Government has maintained, as the holder of the majority of the shares. The operation of the railroad company has been always entirely untrammelled by the canal company. We have sought the advice, at times, and sometimes indication of the wishes, of so large a majority of shareholders; but the company has always been administered according to the wisdom of the board of directors, and I again take this opportunity to refer to the record with pride. We have a valuable property, and we think it has been wisely and conservatively administered.

Mr. TOWNSEND. Now, I want to know whether you can not, in the next few days, make out and submit to the committee a full, itemized, complete statement of all of the expenses as shown in your office in New York? You have that all here?

Mr. DRAKE. Yes, sir; but I have it here for eleven months only.

Mr. TOWNSEND. You have not that itemized statement?

Mr. DRAKE. Such as a subdivision going back to the subdivision of the items that you have already spoken of during this session?

Mr. TOWNSEND. Yes, sir.

Mr. DRAKE. I would have to work that out. I would be very glad to do that if you want it.

Mr. TOWNSEND. I would like to have you furnish a full statement of the amount that is paid to the officers and individual officers, including fees.

Mr. DRAKE. I can give you all that excepting in regard to the fees.

Mr. TOWNSEND. We were speaking a while ago of the fact that you had an item given to Mr. Cromwell, that the estimate showed you had given to Mr. Cromwell \$10,000, in addition to his salary, for the legal department.

Mr. DRAKE. No, sir; I said including the item of his retainer. The item for the eleven months was \$6,667.90. I could give you the details of how that excess arose. Of course, in an eleven months' summary eleven-twelfths of \$6,000, or \$5,500, would be charged to that retainer, and the balance would be chargeable to the details which I can give you if you want them.

Mr. TOWNSEND. Do you refer to the accounts?

Mr. DRAKE. Of course our accounts are itemized to the cent. I have here the details of everything but the minute details.

Mr. TOWNSEND. Are you going to leave that memorandum with the committee?

Mr. DRAKE. Yes, sir; but I do not want to surrender it until we get through with it.

Mr. TOWNSEND. What provision have you for the purchase of coal?

Mr. DRAKE. Bids are invited about March 15 of every year from several large coal concerns. We also receive various other bids. We receive bids from representative concerns for supplying our coal requirements for the ensuing twelve months, and the lowest bid is accepted, consistent with the quality required.

Mr. TOWNSEND. Do you buy it from one firm, usually?

Mr. DRAKE. It is a case of the survival of the fittest. We have bought our Isthmus supply for the last five years mainly of the Pocahontas Coal Company.

Mr. TOWNSEND. How much coal do you use?

Mr. DRAKE. We contract for 50,000 tons, and use something approximating that.

Mr. TOWNSEND. Has there been any change in the method of letting your coal contracts since the summer of 1902?

Mr. DRAKE. No, sir.

Mr. TOWNSEND. Has there been any change in the price?

Mr. DRAKE. No, sir. We contracted at \$2.65 per ton f. o. b. Norfolk, and it was understood that if there was any reduction in the selling price to other parties the company should have the benefit of that, and the price has been reduced by that process to \$2.50 per ton.

Mr. TOWNSEND. So that you are paying what now?

Mr. DRAKE. Three dollars a ton for bunker coal for the steamers. For the Isthmus supply I said that we had used about 50,000 tons—we contracted for 50,000 tons. We have the right to call for coal in quantities as required, up to that quantity, on ten days' notice, so that we call for it as needed; and we have used now during the current year something like 35,000 tons, and that has been shipped, and the cost is reduced to \$2.50 a ton.

Mr. ESCH. You are a dealer in coal in the Isthmus, are you not?

Mr. DRAKE. On the Isthmus, we are. As that question is raised, I may say that nothing in our concession or charter provides that we may be in business commercially. As we always have a large supply of coal on hand to meet emergencies, gradually our practice of selling coal has developed. We sold it until there was a renewal of complaint by some of the local merchants that we were invading their mercantile rights, and we decided to discontinue the sale of coal. We did so, and within a week after that the Government, the merchants, and connecting lines besought us to resume the selling of coal.

Mr. ESCH. What government?

Mr. DRAKE. The Government of the Department of Panama.

Mr. ESCH. Have you an account of how much coal you sell?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Is that in any of the information that you have furnished to the committee?

Mr. DRAKE. No, sir; but I can furnish it if you want it.

Mr. ESCH. I think that it would be desirable.

Mr. DRAKE. I can say that the profit on the sale of coal by the railroad company amounted last year to about \$35,000, because a large amount of it was used. We have an arrangement with the United States Government by which we furnish its ships with coal

on application. We had an arrangement with the Colombian Government, which was succeeded to by the Panama Government, to sell them coal at the same price as to the United States Government. We sell to any ship there in need of coal, but, of course, at a different price. We sell to local consumers, but at a higher price. We sell to the United States Government at the same price as we do to our own departments.

Mr. ESCH. Then, when you charged yourself with the account of \$111,000 in 1901, it says simply "expense."

Mr. DRAKE. That covers the coal bought in New York for the ships.

Mr. ESCH. And also there is an account for the same year for \$44,000 for fuel for locomotives.

Mr. DRAKE. That is a subdivision of expense at the Isthmus?

Mr. ESCH. Yes.

Mr. DRAKE. Applicable to the railroad. Those are two classes of coal.

Mr. ESCH. Have you any separate account of the fuel that you sell?

Mr. DRAKE. It can be taken out of the account. There is a regular credit on the books from the sale of coal.

Mr. ESCH. But that account is segregated in the annual account, is it not?

Mr. DRAKE. No, sir. It shows at the foot of profit and loss, or rather in the balance sheet it would show as profit on the sales of coal—sale of materials; it is a separate item.

Mr. TOWNSEND. There is one question that ought to have been asked a little earlier. The testimony of Mr. Simmons, I think, was to the effect that the list of officers which you handed us who were elected at the last annual meeting was shown on page 1 of your annual report for 1903.

Mr. DRAKE. The report, Mr. Townsend, shows the status of the previous year.

Mr. TOWNSEND. Yes.

Mr. DRAKE. And any changes from that would show in the first page of the report for the current year.

Mr. TOWNSEND. Now I want to call your attention to this.

Mr. DRAKE. I have a memorandum here that I am going to leave with the committee.

Mr. TOWNSEND. Let me see that, if you please.

Mr. DRAKE. I will have this prepared in better shape, if you like [handing paper to Mr. Townsend].

Mr. TOWNSEND (after examination of paper). This includes the present officers?

Mr. DRAKE. All those marked with a dash are the present officers.

Mr. TOWNSEND. Those marked with a dash?

Mr. DRAKE. Yes. You asked for the record of the changes during the current year. That shows the officers elected at the beginning of the year, and it shows the changes that have been made since then.

Mr. TOWNSEND. So that the present officers are Mr. Simmons—

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Mr. Drake, Mr. Felton, Mr. Parker, Mr. Cromwell, and Mr. Brown, Admiral J. G. Walker, General Davis, Mr. B. M. Harrod, Mr. W. H. Burr, and Mr. C. E. Grunsky?

Mr. DRAKE. Yes, sir; they with Mr. Parsons make 12, and there is a vacancy because of the resignation of Mr. Hecker.

Mr. TOWNSEND. He resigned November 23, 1904?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. What did he do with his share of stock?

Mr. DRAKE. It stands to his name on the books.

Mr. TOWNSEND. He never paid anything for that stock?

Mr. DRAKE. That I do not know anything about.

Mr. TOWNSEND. Did any of these commissioners——

Mr. DRAKE. Admiral Walker, the chairman of the Canal Commission, bought 100 shares of stock in the market, and out of that transferred one share to each director, replacing shares that they had qualified with before.

Mr. TOWNSEND. Did Admiral Walker buy that stock for himself?

Mr. DRAKE. Those shares stand in his name as chairman of the Commission. They were paid for with a warrant upon the assistant treasurer in New York.

Mr. TOWNSEND. So that he holds them for the United States?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. And all these other gentlemen who are members of the Canal Commission, and are now directors of the company, hold their shares individually?

Mr. DRAKE. They are in their individual names.

Mr. TOWNSEND. Do you know whether or not anybody except Admiral Walker paid anything for his shares?

Mr. DRAKE. I do not.

Mr. ESCH. Are the dividends paid to Admiral Walker and to the other members of the Commission?

Mr. DRAKE. Yes, sir; they would be, regularly. By the by-laws of incorporation they have to be shareholders to be elected directors, so that I know they were qualified before they were elected.

Mr. ESCH. Have they received any dividends?

Mr. DRAKE. Yes, sir.

Mr. ESCH. The checks were made to them individually?

Mr. DRAKE. Yes, sir. The corporation always sends checks to the party in whose name the stock stands.

Mr. ESCH. To whom was the Walker check issued?

Mr. DRAKE. To Admiral J. G. Walker, as chairman of the Commission.

Mr. ESCH. That was in the check, was it?

Mr. DRAKE. Yes, sir. That is the way he stands in the records of the company as a stockholder, as chairman of the Commission; and the Secretary of War, in whose name a majority of the shares are placed, is also designated officially.

Mr. ESCH. Now, Mr. Shaler has resigned down there as superintendent?

Mr. DRAKE. Yes, sir.

Mr. ESCH. And you have not filled the vacancy?

Mr. DRAKE. No, sir. The assistant superintendent is now acting superintendent.

Mr. ESCH. Does Mr. Prescott, who is acting as assistant superintendent, get the same salary that Mr. Shaler got?

Mr. DRAKE. No, sir.

Mr. ESCH. He is now receiving the same salary as when he was assistant superintendent?

Mr. DRAKE. Yes, sir. That position should be filled, one way or the other, for the good of the service, very shortly.

Mr. ESCH. Have you a list of the total expenses, so that you could itemize it, for the Panama end?

Mr. DRAKE. Yes, sir. May I ask with what particularity?

Mr. ESCH. The items for the payment of salaries and fees to men who live there in the employ of the company.

Mr. DRAKE. There are no fees there.

Mr. TOWNSEND. You transfer your expenses for operating the road directly to the New York office?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. And that is reported here?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. These dates which are on the slip which you have given me here show when the former directors resigned and when the new ones were elected?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. How were they elected?

Mr. DRAKE. By action of the board. By formal resignation of the director and election of his successor.

Mr. TOWNSEND. Have you had any meeting of the stockholders for the election of directors since the——

Mr. DRAKE. No, sir; that will come on the 3d of April.

Mr. MANN. How many directors are elected?

Mr. DRAKE. Thirteen are elected annually. The charter of the corporation provides for that.

Mr. MANN. Do you know who is to represent the stock held by the United States at that meeting?

Mr. DRAKE. I have not an idea.

Mr. ESCH. Does the evidence disclose that the cost of the New York office is about \$90,000? It does, does it not?

Mr. DRAKE. Yes, sir, \$91,641.98.

Mr. ESCH. I notice in the annual account that you have a separate account for agency expenses?

Mr. DRAKE. Yes, sir; steamship agency expenses.

Mr. ESCH. For instance, in the year 1901 there was paid as salaries of agents and clerks \$29,000. Is that exclusive of the \$90,000?

Mr. DRAKE. It is shown under the general heading "Steamer expenses?"

Mr. TOWNSEND. Yes, sir.

Mr. DRAKE. Please look at page 19 of the annual report for 1901; you can get a general notion.

Mr. TOWNSEND. Yes, sir.

Mr. DRAKE. For the different departments of the railroad, in the charging up the expenses, the local department is charged with the incidental clerk hire and expenses. For instance, the general office is charged with all of the expenses applicable to the maintenance of the general office. The road department on the Isthmus and the other departments are charged with their proportion. For instance, conducting, transportation, maintenance of equipment, and maintenance of way and construction are charged with their proportions of the clerk hire.

Mr. ESCH. Where are these agencies?

Mr. DRAKE. There are a New York agency and a Colon agency for the steamship line.

Mr. ESCH. Then the New York agency account would be exclusive of the \$90,000?

Mr. DRAKE. Entirely, sir. The total expense of operating the steamship line is shown by this summary of operations for eleven months of 1904 under the heading "Steamer expenses Panama R. R. S. S. Line." For eleven months the expenses, such as for fuel, repairs, stores, docking, injuries to persons, labor on cargo and coal, painting ships' bottoms, stationery and printing, telegrams and cables, and insurance are all charged as operating expenses of the steamship line, and, in addition, all the expenses of the agencies of the steamship line in New York and at Colon are charged under "Agency expenses Panama Railroad Steamship Line." and the total of that subdivision is included with "Steamer expense account in operating expense Panama Railroad Steamship Line." The expenses incidental to the agency are for all advertising for the steamship line, rent and repair of docks and wharves, repairs, etc. When you get a lease from the city you are obliged to make all repairs and take all risks. It is a very strict lease, and the conditions are very onerous. I think that we have about the best dock lease in New York. We have a lease on which we pay only \$18,000, and the company could lease the pier for \$60,000 a year.

Mr. ESCH. Then if we discontinued this railroad office at New York, this agency would have still to be maintained?

Mr. DRAKE. Yes; if the steamship line were continued; and that amounts to \$94,000 for eleven months, because it includes all such items as I have mentioned.

(Thereupon the committee adjourned.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,

HOUSE OF REPRESENTATIVES,

Washington, D. C., February 18, 1905.

The committee met at 10 o'clock a. m., Hon. William P. Hepburn in the chair.

STATEMENT OF MR. EDWARD A. DRAKE (continued).

The CHAIRMAN. Mr. Drake, I would like to ask you a little further with regard to payments for attendance upon the meetings of the executive committee and the board of directors—

Mr. DRAKE. Yes, sir.

The CHAIRMAN (continuing). By members of the Isthmian Canal Commission.

Mr. DRAKE. Yes, sir.

The CHAIRMAN. Do you keep a record of the meetings of the board of directors?

Mr. DRAKE. We do.

The CHAIRMAN. Do you keep a record of the transactions at the meetings of the executive committee?

Mr. DRAKE. We do, sir; a full and complete record, full and complete minutes of everything that is done.

The CHAIRMAN. Have you those with you?

Mr. DRAKE. No, sir. Those records are kept in very heavy record books.

The CHAIRMAN. Do those records show the names of those who attend the meetings?

Mr. DRAKE. They do, for every meeting.

The CHAIRMAN. For every meeting. How many of the meetings of either the executive committee or the board of directors have been attended by members of the Isthmian Canal Commission?

Mr. DRAKE. Nearly all of the regular meetings of the board have been attended by members of the Commission since their election.

The CHAIRMAN. Have members of the Commission, on each occasion, received their fees for attendance?

Mr. DRAKE. They have, sir.

The CHAIRMAN. Who, as you now remember?

Mr. DRAKE. All of them except General Davis and Colonel Hecker, who were absent from the country.

The CHAIRMAN. Fees at the meetings of the board of directors?

Mr. DRAKE. Yes, sir.

The CHAIRMAN. And also, were any of them members of the executive committee?

Mr. DRAKE. Mr. Parsons has been a member of the executive committee.

The CHAIRMAN. Yes, sir. Did he receive his fees for that attendance?

Mr. DRAKE. Yes, sir.

Mr. ESCH. In that connection may I ask him a question?

The CHAIRMAN. Certainly.

Mr. ESCH. Are any of the members of the executive committee or of the board of directors nonresidents of New York?

Mr. DRAKE. Members of the board of directors are, yes, sir. Mr. Felton, president of the Chicago and Alton Railroad, is a nonresident.

Mr. ESCH. Where there is a nonresident director, is he allowed mileage?

Mr. DRAKE. No, sir.

Mr. MANN. Are there any of the members of the Isthmian Canal Commission who are members of your board who were ever paid their traveling expenses?

Mr. DRAKE. No, sir; I may say in further answer to your question, Mr. Esch, that there is no nonresident member of the executive committee.

Mr. MANN. Do any of the members of the Isthmian Canal Commission live in New York?

Mr. DRAKE. Mr. Parsons and Mr. Burr do. Mr. Parsons is a member of the executive committee.

The CHAIRMAN. Are the meetings of the executive committee and of the board of directors held on the same day?

Mr. DRAKE. No, sir; except rarely. On an emergency, they might be, but not otherwise. The days are specified in the by-laws.

The CHAIRMAN. And they never concur?

Mr. DRAKE. In one or two instances they have, but very rarely.

The CHAIRMAN. When was this fee for attendance of the members of this executive committee and of the board of directors determined upon?

Mr. DRAKE. It was by resolution of the executive committee—some years ago.

The CHAIRMAN. How long ago?

Mr. DRAKE. Six or seven years ago.

The CHAIRMAN. Have there been any changes in the salaries or compensations made to servants of the company—officers and servants of the company—within recent years?

Mr. DRAKE. There have been no changes in salaries to corporate officers. There have been some slight modifications of salaries to minor officials and subordinate employees.

The CHAIRMAN. None since January, 1902?

Mr. DRAKE. None since January, 1902; except, as I say, to minor official—subordinate employees.

The CHAIRMAN. The salary of the president was \$10,000 prior to that time?

Mr. DRAKE. Yes, sir; almost from the organization of the company.

The CHAIRMAN. Yes, sir; that is all that I have on this subject. Can you furnish the committee with an itemized statement showing the amounts that have been paid to gentlemen who are members of the Isthmian Canal Commission for their attendance at these board meetings and at meetings of the executive committee?

Mr. DRAKE. Certainly. I promised yesterday to do that, sir. I can do it. There is a perfectly detailed account kept of every penny paid to every member of the executive committee and to every member of the board.

The CHAIRMAN. You will indicate in your statement the dividends paid to them, will you, if any?

Mr. DRAKE. Paid to them as stockholders of the company?

The CHAIRMAN. Yes, sir.

Mr. DRAKE. Very well.

Mr. CROMWELL. You can furnish that Monday, can you not?

Mr. DRAKE. Yes, sir.

The CHAIRMAN. It will be practicable, I suppose, to bring the records of the transactions of the executive committee and of the board here, will it not?

Mr. DRAKE. Yes, sir; perfectly.

The CHAIRMAN. Will you do that on Monday?

Mr. DRAKE. Yes, sir.

The CHAIRMAN. If you please. I think that is all I want to ask in regard to this, Mr. Townsend.

Mr. ESCH. He was explaining in reference to the agencies when we closed yesterday. I think you said, Mr. Drake, that you wished to make an explanation with regard to that.

Mr. DRAKE. Yes, sir. May I ask you for the question that was asked me? As I remember, it was a question as to the apportionment of the steamship agency expenses. I had stated that the general expenses were \$87,000, approximately, for the year, and I had stated that the expense of the steamship agency was an expense apart, and

charged directly to operation of the steamship line. And I was explaining the items that went to make up the total of \$95,000, charged to agency expenses of the steamship line for eleven months of 1904. It is by the addition of these two items that the mistaken estimated aggregate of \$200,000 expenses is made. I showed that the expenses of the steamship line were composed of the rent of buildings and wharves, and repairs of wharves, and the other miscellaneous expenses which I recited; and the point was that the difference is between the general expenses and those of the steamship agency expenses. The whole of the expense of the steamship line and agency is charged to the operation of the line, and the net steamship result developed in that way.

Mr. ESCH. Did you ever maintain an agency at Paris?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Do you maintain it now?

Mr. DRAKE. No, sir. It was discontinued at the time of the resignation of Mr. Whaley. When he returned to Paris he resigned the active management and control of the company here, but retained his position as first vice-president, and was placed in charge of the European department. It was a very important department, in that there are eight steamship lines from Europe that connect with the Panama Railroad at Colon, and a great many questions continually arise that need consideration and adjustment. Conferences are held to fix rates for the carriage of the principal products, which agents of all of the lines attend. Mr. Whaley was always there, and besides attended to the business of the company in Europe, in general.

Mr. ESCH. Do you maintain an agency at San Francisco?

Mr. DRAKE. We have a minor agency at San Francisco. The Panama Railroad Company is a line engaged in commerce with, in effect, the entire world. We have eight steamship lines connecting with us at Colon on the Atlantic side, and each line has its home port. By meetings of the representatives of these lines there are frequent conferences to determine how the joint business shall be carried on under the traffic arrangement between this company, these lines, and other lines which come to Panama. As I said, there are eight lines on the Atlantic and three lines on the Pacific, and the aggregate of the business has developed progressively since the railroad company escaped from all restraint it was under and assumed a dominant position in the commerce passing across the Isthmus. To illustrate, we may say that instead of being only the hinge of a nutcracker, it is the whole nutcracker, and is able to control its own business. The foreign interests of our business were protected by the vice-president in charge of the European department.

Mr. ESCH. If you discontinued your steamship line, would that affect your contracts with European lines?

Mr. DRAKE. Not with European lines.

Mr. ESCH. They would remain?

Mr. DRAKE (continuing). They would remain; but if the line were discontinued it would be reversionary in that it would restore the dominance and the opportunity to dictate to the railroad company which was previously held by these lines. We have escaped from that within the last few years and established a position in which the limits under which they can do business with us are defined, the limits of the reductions in rates are established, and the conditions under

which they must do the business with us are enforceable, through our line, which has been progressively developed as a feeder of the railroad every year, and has been used as a threat—I do not say that offensively—as a means that can be resorted to to compel the strict observance of the conditions by the European lines; because with our line we have always a way of doing the business ourselves. Before we obtained that position they often left us with three or four or five hundred cars blocked with merchandise, which they would fail to move as rapidly as required. We have had our bills of lading so amended that the railroad is in a position to say “Move that cargo at once, or we will move it.” Thus we are in control. So that, as I say, in relation to European lines the policy of discontinuing the Atlantic Steamship Line would be reactionary, reversionary, and destructive. I use those terms in a commercial sense. I have been engaged in these interests of the company for the last fifteen years, and there is not a feature of it that does not show progress.

Mr. ESCII. Now, you state that the Panama Railroad is a regulator of intercontinental rates?

Mr. DRAKE. Yes, sir.

Mr. ESCII. What proof have you of that?

Mr. DRAKE. For fifteen years, from 1878 to 1893, under the contract that we had with the Pacific Mail, by which we received a lump sum for the business we did; for that company this railroad only obligated itself to transport the cargo that was brought to it. The Pacific Mail did not canvass thoroughly for business. But the moment that that contract expired we purchased steamers and established our own line on the Atlantic, and they have been in service ever since, and we began to steadily develop that business, and by having an active, interested, speedy, and direct service to the railroad its tonnage has grown enormously. The whole business to the north of Panama was small. Now the business to San Francisco alone is 15 per cent of the business of the steamship line and 25 per cent of the business of the railroad company, and constitutes 50 per cent of the revenue of the country. It should not be forgotten that the Panama Railroad Company was the original transcontinental line, and its business has grown and its rates have been reduced from \$25 a ton and per passenger in years past until now they are about \$4.50 a ton and per passenger under our new local tariff. The business is increasing, but the equipment has not been increased proportionately. That is, I mean we have been able to handle what is a mere bagatelle to a trunk line here, but is an enormous tonnage for a railroad on the Isthmus 48 miles long. We have handled 400,000 tons a year over that railroad. That total has been transported by steamers to our terminals and taken off, transported across the Isthmus, and placed on steamers on the other side. And the “cargo loss and damage” in that service is only a fraction of 1 per cent of the total earnings, something exceptional in the history of railroads. I speak of that to the credit of the men on the Isthmus. Our headmen there are active white men, Americans, etc., who were engaged here. Every employee of the company who handles the funds of the company is bonded. Our traffic with points north of Panama on the Pacific coast has developed and is carried from Panama on under our contract with the Pacific Mail Steamship Company. We may assume, being practically owned by our chief competitor, the Southern Pacific Railroad

Company, is not in business with us disinterestedly. We forced the Pacific Mail, as it did us for years, until we regained our independence, when amicable relations were established. It is unfortunately true that the Pacific Mail Steamship Company is the only American line operating to the Isthmus on the Pacific side, as our line is the only American line operating on the Atlantic. Thus the withdrawal of either one of them would terminate through traffic under the American flag. We have at different times in the past been allied with the Pacific Mail and severed from them and again allied with them, and are now about to be severed from them. We have established our own line on the Pacific side in order to get freedom from the Pacific Mail, and it resulted in large loss to us and to them. They have a large steamship tonnage on the Pacific side and have their agencies and plants all along the littoral, and we have been compelled again to renew our connection with that company in order to escape loss and obtain what is absolutely requisite, a direct, speedy, and certain connection in order to attract business from the transcontinental lines. Our rates are always at a cut of from 20 to 30 per cent (or more, as may be necessary) to secure the business. Our ships are running regularly and full now; in fact, if the line is to be continued we should have ships of modern construction and more roomy, as our ships are barely adequate for the tonnage we are carrying now, but the business of the line is growing. Our opposition and that of the American-Hawaiian Steamship Line via Magellan to the transcontinental line is the only opposition they have. The Morgan Line from New York belongs to the Southern Pacific Railroad, one of the transcontinental lines, with which it connects at New Orleans.

Our route is thus a controlling factor, because through it a shipper is able to secure a favorable transcontinental rate.

THE CHAIRMAN. You can not compete with the transcontinental lines on fruit shipments from California?

MR. DRAKE. On dried fruit. We do not handle the fresh fruit.

MR. MANN. What reduction has been made on transcontinental rates within the last ten years?

MR. DRAKE. The transcontinental rates, I believe, used to average, before 1895, \$18 per ton on the total seaboard traffic. As to present transcontinental business, while I can not speak certainly about them, I believe the average rate has been reduced to \$14. Our traffic manager is here and can give you fuller particulars from the tariffs which he has. But we have had a controlling effect on their rates. I can illustrate that by saying that during the period of 1895 we put on a steamship from Colon to New Orleans, and we compelled the transcontinental by that one act to reduce a long-established \$15-per-ton rate on wine by one-half, accompanied by an agreement not to restore the original rate in any case, in order to meet our competition.

MR. MANN. You control the rate from San Francisco to New York, by way of the Pacific Mail and your line, do you not?

MR. DRAKE. Yes, sir; and we get 50 per cent of the through rate.

MR. MANN. The Pacific Mail gets 50 per cent for carrying from San Francisco to Panama?

MR. DRAKE. Yes, sir.

MR. MANN. You get 50 per cent for carrying across the Isthmus and then to New York?

MR. DRAKE. Yes, sir. The Pacific Mail makes a haul of 3,500 miles

and we make a haul of 48 miles across the Isthmus and of 2,000 miles to New York. They discharge their ship to us, and we handle the freight across the Isthmus and carry by steamship to New York.

Mr. MANN. You say you are the controlling factor?

Mr. DRAKE. No, sir; I say we have a controlling influence on transcontinental rates.

Mr. MANN. That is the same as being a controlling factor. Suppose you should reduce your rate 50 per cent, could that be done?

Mr. DRAKE. It could be done, with serious loss to us.

Mr. MANN. Very well. Your road will be out of existence in a few years, so far as carrying freight is concerned.

Mr. DRAKE. I beg to differ with you on that point.

Mr. MANN. Well, of course you may differ.

Mr. DRAKE. I think I can substantiate my opinion on that.

Mr. MANN. But if the rate is reduced would it have the effect of reducing transcontinental rates?

Mr. DRAKE. I should judge so. It would depend entirely on the quantity that was carried by our route. The tonnage we have now is small as compared with the tonnage carried by the transcontinental roads between the seaboard, but, nevertheless, any reduction in our rate would have an effect.

Mr. MANN. You stated your rate had a controlling effect.

Mr. DRAKE. I mean they have to meet our competition, because our competition is susceptible of development.

Mr. MANN. Then if the United States Government gets absolute control of the Panama Railroad and reduces the tariff from Panama to New York, that will have the effect of reducing the transcontinental rate on all railroad lines?

Mr. DRAKE. Yes; if the volume carried by our route was progressively larger.

Mr. MANN. I am trying to get your judgment.

Mr. DRAKE. I say to you frankly I think it would be ruinous to make the reduction you speak of.

Mr. MANN. You mean to the revenue of the property?

Mr. DRAKE. Yes, sir.

Mr. MANN. Assume that. That is a policy for the Government to determine.

Mr. DRAKE. I want to modify that. I think you may get a wrong impression from what I have said. With such a reduction of the through rate, it would be impossible to get a carrier on the other side to participate in the traffic, and we would have again to establish our own line on the Pacific side. It is a haul of 3,500 miles, and you should give the present management the credit of having reduced rates as far as we could do so and still get remuneration from it. Any further serious reduction would be made under a policy that assumed the whole responsibility for loss of revenue.

Mr. MANN. You think that the Pacific Mail Company would refuse to carry freight from San Francisco to Panama, although they received the same, if the Government received less? My suggestion is that if we could reduce 50 per cent between Panama and New York—

Mr. DRAKE. And still give them what they receive now as an arbitrary or fixed proportion of the through rate as reduced?

Mr. MANN. We may not be able to determine their rates. Would it have any effect on them if they fixed their own rate?

Mr. DRAKE. That would not be a through-billing business. By that method the through rate would be the sum of the local rates. The thesis of through-billing business contemplates the issue of a through bill of lading by the initial carrier.

Mr. MANN. You do not think it would make any difference at all if you reduced our portion of the rate 50 per cent from Panama to New York and left that portion of the rate from San Francisco to Panama as it is now? Would the Panama Railroad refuse to carry the freight?

Mr. DRAKE. I do not think so.

Mr. MANN. I understand that is the contract that is to be changed.

Mr. DRAKE. Independent of the contract, that is the principle of through business, and the business would have to be done on a through-billing basis. If a \$6 rate be established, and our present \$4 share reduced to \$2 per ton, the Pacific Mail would receive 66 $\frac{2}{3}$ per cent and we would receive 33 $\frac{1}{3}$ per cent. We would get \$2 for our haul, and they would continue to receive \$4.

Mr. MANN. If that was the effect, would that have the effect of reducing the transcontinental rate \$2 a ton?

Mr. DRAKE. On our railroad?

Mr. MANN. No, no.

Mr. DRAKE. Yes, sir; I assume it would. Our competition would then be of a character to effect a reduction in transcontinental railroad rates, but our revenue would suffer.

Mr. MANN. You spoke of the European lines. Why do you not maintain a European agency now if it was necessary before? What is the difference in conditions?

Mr. DRAKE. We do not, because we have been able to remodel our business. Mr. Whaley resigned, and we did not consider it necessary to appoint anybody else of equal standing to his position, and in the meantime we had reached an agreement with the European lines, which I have described before, upon a modification of the bill of lading, a remodeling of the classification, and the establishment of a division of rates on the percentage basis.

Mr. MANN. When was that done?

Mr. DRAKE. That end has been secured step by step within the last two years. We had been working for it seven or eight years and finally accomplished it, and the railroad has working arrangements with eight European lines on the Atlantic side and an American and two foreign lines on the Pacific side, and by virtue of the arrangement can in case of need name the line by which the shipments brought to our terminals and not speedily removed must go forward. We advise our connecting lines on each side of any additional connection on the other and assume responsibility for the newcomer until accepted. We give the initial carrier in all cases authority to make the rates down to an agreed minimum, and thereafter lower rates can only be made in case the initial carrier is mutually authorized to make them, so that, while the arrangement is not automatic, it is fitted to meet all requirements. The traffic manager is engaged half of his time in answering inquiries and correspondence on those points. We have established the direction in the New York general office, so that we have better

control than we have ever had before, and there was not the occasion for renewing the European department after Mr. Whaley's resignation for that reason. Most of the cargo that is carried both ways—all of that which goes to Europe being essentially products—is sent collect C. O. D.

Mr. MANN. What proportion of the through rate from Hamburg to San Francisco do you get?

Mr. DRAKE. Twenty-five per cent. We established a uniform proportion on business—on all business except from our own line.

Mr. MANN. As a matter of fact, do you figure that you get 25 per cent of the through rate from San Francisco to New York—

Mr. DRAKE. No, sir. We get 50 per cent.

Mr. MANN. For the trip across the Isthmus, and then 25 per cent for the steamship transportation?

Mr. DRAKE. No, sir; that is not a fact, because we make a different distribution of that rate. Our line commences at New York with the steamship line and extends to Panama. There is a division of the through rate as between our cocarrier and ourselves of 50 per cent to each. There is a relative accounting between the steamship line and the railroad company.

Mr. MANN. If the freight is carried by any other line than your own, would you get 25 per cent for the trip across the Isthmus?

Mr. DRAKE. Yes, sir. I want to make a distinction as to San Francisco business. The railroad company does not receive 25 per cent on that business, which forms the majority of its tonnage.

Mr. MANN. What per cent do you figure belongs to the railroad trip across the Isthmus on the business you get between San Francisco and New York, and what per cent belongs to the steamship service between Colon and New York?

Mr. DRAKE. The earning is divided between our railroad and steamship line on the basis of 55 and 45 per cent of our 50 per cent of the through rate. Forty-five per cent of 50 per cent would be 22½ per cent of the through rate for the railroad.

Mr. MANN. If the rate across the Isthmus, where you now get 25 per cent of the through rate, was reduced, would that have any effect on the total of the through rate between San Francisco and foreign points?

Mr. DRAKE. Yes, sir. The through rate should be reduced proportionately.

Mr. MANN. That is to say, you think the steamship company—

Mr. DRAKE. I think they should, but would not change their rate. There would be a repetition of what has occurred before as the result of like attempts that have been made in the past. For instance, Mr. De Lesseps sought to make the railroad a mere transfer road and make uniform rates or tolls for passengers and cargo—that is, so much per capita and per ton—and the result was illustrative. He began with the Central American and Mexican business.

Mr. MANN. Did he make a reduction of freight rates?

Mr. DRAKE. Yes, sir; over the railroad.

Mr. MANN. What effect did that have on the transcontinental lines?

Mr. DRAKE. They were not in that particular business. I was speaking of foreign business. I was using that incident as an illustration, because I thought it answered your question.

Mr. MANN. There is more or less foreign business to San Francisco?

Mr. DRAKE. To San Francisco, but not from it.

Mr. MANN (continuing). And Hamburg?

Mr. DRAKE. I would like to finish that story, sir, because it is pertinent, and answers your question, in a way. You asked what effect it would have on the through rate, and I said that it should diminish it to the extent that we reduce. The carriers on both sides, however, absorbed our reduction and maintained the same through rate that was in effect before the railroad company made the reduction.

Mr. MANN. That is the illustration you give, but you think it would not have that effect now?

Mr. DRAKE. No, sir.

Mr. MANN. I understood you to say that it would reduce the through rate.

Mr. DRAKE. The through rate should be reduced to the extent we made our reduction, but whether it would or not would depend on the connecting lines.

Mr. MANN. What is your judgment about that, whether it would increase the returns of the road, or whether there would be a reduction on the through rate?

Mr. DRAKE. I think it would ultimately effect a reduction of the through rate, because we should insist upon it, and would bring it about in the end.

Mr. MANN. Is that the effect, more or less, of the transcontinental railroad?

Mr. DRAKE. I do not understand you.

Mr. MANN. Is all that foreign business affected by the transcontinental railroad?

Mr. DRAKE. Yes, sir; a great deal of it goes by United States and Canadian routes.

Mr. MANN. Are not the steamships running from Hamburg to Philadelphia and New York and Baltimore in competition with the steamship lines that go to Colon, carrying through freight for San Francisco?

Mr. DRAKE. Yes, sir.

Mr. MANN. The steamship lines that run to New Orleans are also in competition with the steamers to Colon on through freight to San Francisco?

Mr. DRAKE. Yes, sir.

Mr. MANN. So that a reduction of the railroad rate in Panama is likely to affect the rate all the way through on all of these lines?

Mr. DRAKE. It should. To reduce the railroad rate would not be remunerative to the railroad. It would jeopardize the railroad's revenue.

Mr. MANN. That is very likely, but we are building a canal down there that will cost several hundred million dollars, and I think that nobody ever assumes that it will be remunerative.

Mr. DRAKE. Excuse me, but the railroad has certain obligations that it must meet. We pay \$250,000 to the Republic of Panama, and we have $4\frac{1}{2}$ per cent mortgage bonds which require a redemption fund of \$150,000 a year, and must pay interest on the outstanding bonds. All of that amounts to \$45,000 a month—over \$500,000 a year—now, and will for twenty years. The payments will have to be made by the railroad, and the railroad has to earn the money, and if the rail-

road is to be put in a position so that it can not, it must be because there is an owner who takes the responsibility.

Mr. MANN. Does that company pay the \$250,000?

Mr. DRAKE. Yes, sir. There is a misunderstanding about that. The company's annual indemnity to Colombia was capitalized in 1880 for twenty-eight years and the railroad consequently pays every year by the redemption of these bonds, and in the extinction of that bond in 1908 the railroad will resume paying the \$250,000 in cash, and will continue to pay it until the expiration of our concession, which is in 1969. So that when you contemplate the reduction of the earning power of the property, I ask you to consider what the effect would be. It would be the destruction of what is to-day a well-established, largely remunerative business, and has always been so. The railroad has \$38,000,000 in net earnings since it was organized.

Mr. MANN. Do you think it would be wholly improper for the Government, which proposes to construct a canal, and then make a charge that will be nominal in comparison with the interest and the expense, to consider that it may also reduce a freight rate without regard to profit?

Mr. DRAKE. I do not want to comment on the propriety of the policy, but I think, judging from my standpoint, a commercial one, it would be a mistaken policy, in view of the responsibilities attaching to the operation of the railroad; and as to one thought on this, I am one who believes that the railroad will continue to operate, as it always has, for the reason that all of the lines which come to Colon or Panama are circulatory lines. Their vessels start from their home ports and stop at ports on the way along until when they reach Colon or Panama they have a comparatively small quantity of cargo for transportation over the railroad, and there are eight such foreign lines, at least, in connection with us at Colon and three on the Pacific side in the business. Those lines are going right on with their circulatory business the same as the railroads running in the interior of the country. When the canal is completed it is not going to change that business, which will go on just the same as the service of the Panama Railroad will be going on, and that service is going to be resorted to the same as all railroads are resorted to for the quick transfer of small lots of cargo that would otherwise be combined and constitute a load for a through ship that might be long delayed to complete its load before passing through the canal.

The railroad will supply that need and will, I expect, do business of much larger aggregate than is generally anticipated. I believe that the plans of the canal contemplate providing for the transportation of freight over the railroad at a very much reduced cost of operation, because of increased equipment and enlarged terminals, and that of itself will attract business, as increased facilities always attract business; hence I believe that the railroad will continue to be an important factor in transportation across the Isthmus. You may arrive by steamship one morning at one terminus of the canal, and your steamer will be going through the canal; it will take it twelve hours to get through, and you will not want to stay on the steamer all that time, and you will use the railroad, and with your baggage run across and meet the steamer on the other side when it gets

through. That is going to constitute a business that no one can estimate.

Mr. LOVERING. To return to the meetings of the board of directors and the executive committee, can you tell the committee what the character of the work is that that executive committee is called upon to do; what questions are they called upon to consider, to give their judgment and experience upon?

Mr. DRAKE. Everything relating to the operations of the company. I, as executive officer, carry out all measures adopted by the executive committee. There is no official act of mine of any importance——

Mr. LOVERING. Do they take up the matter of business connected with foreign lines, and such matters as the rate on coffee, and——

Mr. DRAKE. No, sir; that is left to the traffic department.

Mr. LOVERING. That is not brought to their notice?

Mr. DRAKE. No, sir.

Mr. LOVERING. What questions are brought to their notice?

Mr. DRAKE. All questions of policy; all questions of action; the execution of contracts. I might answer your question of a moment ago by saying that no contract is made with these connecting lines, or no agreement that is not submitted to the executive committee, and their decision transmitted to the executive officer. The minutes of the meetings of the executive committee are very full, and show that every such question as the operation of the railroad and increase of its facilities and the making of contracts with connecting lines, and the purchase of material, and in fact every question governing the policy of the railroad company is considered by the executive committee.

Mr. LOVERING. And it is that that makes it important to have a high class of men as directors and members of the executive committee?

Mr. DRAKE. Yes, sir; I think there is no board that can be pointed to that has members of higher standing, individually or collectively. It has been my privilege to sit for years with such gentlemen as General Newton, who was the president of the board before J. Edward Simmons, who holds many other similar positions; Mr. Gallaway, who is president of the Merchants' National Bank; Vernon H. Brown, who is the New York representative of the Cunard Line; Mr. Cromwell; Mr. Hopkins, who was the president of the New York and Susquehanna Railroad Company; Mr. Whaley; Mr. Felton; Gen. W. B. Franklin, who was, as you all know, Chief of the Engineer Corps, and Gen. C. B. Comstock, who succeeded him because of his similar relation. Men of that class have always filled the places of directors in the company. I have forgotten to mention Mr. J. H. Parker, ex-president of the New York Cotton Exchange, and Mr. Einsiedler, managing representative of the Crédit Lyonnais in this country.

Mr. LOVERING. Do you think that the business could have been carried on as well or as profitably without the assistance of a board composed of this class of men?

Mr. DRAKE. No, sir; I think it is essentially necessary—it has been for the past operations, and will be for the future, that there should be a board of that character.

Mr. TOWNSEND. Mr. Simmons has not devoted much of his time to it?

Mr. DRAKE. On the contrary, he is a very regular attendant at meetings, and I think that no one has attended to the business of the company more regularly and attentively. He is always in touch with the company.

Mr. WANGER. We understand the Pacific Mail Steamship Company to be a competitor of the transcontinental railroad lines, or is it controlled or dominated by them?

Mr. DRAKE. A majority of the stock is owned by one of those lines.

Mr. WANGER. Which one is that?

Mr. DRAKE. The Southern Pacific Railroad Company. The Pacific Mail Steamship Company is a company incorporated in New York State that has been in active operation for fifty years and has to-day an establishment all along the Pacific coast between Panama and San Francisco. It has its agencies and fleet of steamers engaged in that business, but I believe it was acquired chiefly because of its steamship service across the Pacific. The Southern Pacific Railroad acquired control of that line; nevertheless a contract was made with us because only an American line is allowed under the coastwise law to carry business between United States coast points and because without coastwise cargo their line would be operated at a loss. With earnings from their port to port business and our coastwise traffic they can operate at a cost that will enable them to accept the agreed proportion they are allowed out of our through rate.

Mr. WANGER. Do you know how the rates charged by the Pacific Mail Company for the transportation of freight from San Francisco to Panama compare with the rates charged by them to South American ports?

Mr. DRAKE. I can not say.

Mr. WANGER. Are not the rates considerably higher to Panama than to points in South America?

Mr. DRAKE. Our rates?

Mr. WANGER. No, sir; the rates of the Pacific Mail Steamship Company?

Mr. DRAKE. I do not know. We have no statistics on that. We have not their tariffs except on the through business.

Mr. WANGER. You have no knowledge of it?

Mr. DRAKE. We are not concerned in their local business.

Mr. WANGER. You have no knowledge of what their local tariffs are?

Mr. DRAKE. I can obtain the tariff, if you wish it.

Mr. WANGER. Do you know whether or not it is cheaper for a merchant in Panama to obtain his goods on the Pacific coast of South America and then ship them from there to Panama than it is to have them shipped direct from San Francisco to Panama?

Mr. DRAKE. That varies on special commodities. There are a great many eccentricities of traffic. We find, for instance, that flour is moving from Guayaquil to San Francisco and from San Francisco to Guayaquil at the same time; and we find the same thing on sugar. When producers are seeking markets sea rates are made competitive, and sea rates vary as a natural result of such competition.

Mr. WANGER. Is there any competition with respect to the port of Panama?

Mr. DRAKE. There are no steamers that run to Panama now except those that connect with our line. The two steamship lines that

connect with the south are the Pacific Steam Navigation Company and the Chilean Company, so-called; and one from the north, the Pacific Mail Steamship Company. There are no other regular lines there.

Mr. WANGER. Do you know whether or not there are any traffic agreements between the Pacific Mail Steamship Company and the lines themselves?

Mr. DRAKE. Yes, sir; there are. We ourselves were the means of bringing about an interchange of traffic at that port, but the conditions of that interchange we do not know. I must speak by hearsay, but I believe that the returns to each party out of the through rate are established on a mileage basis.

Mr. LOVERING. In your opinion, would it be advisable for the United States, after it takes possession of everything—the railroad and everything else, and the management of the railroad, and so forth—do you think it would be good business to retain an official connection in the city of New York?

Mr. DRAKE. I think it is absolutely necessary. I make that statement without any bias, because I am operating an office for the property. I think it is absolutely necessary, because the business, as I explained earlier, is managed entirely from here now. All of the returns of the company's business are received here, and all of the rates are established from here, and all of the machinery of the company is here, and I think it would be a great mistake to revert to the old conditions which obtained when Colon was the terminal of the railroad company, because New York is a commercial center. The business of the line to-day requires a large clerical force of a character that could not be retained permanently on the Isthmus as it is retained here, because of the necessity for giving long periodical vacations, whereas here we have men who have grown up in the business who are constantly engaged in checking the accounts and are fully informed of conditions relating to traffic with our cocarriers.

Mr. LOVERING. Does not the New York management govern and indicate what freight will be available at Colon—at Panama? Is it not all known in New York?

Mr. DRAKE. The whole business is done in New York.

Mr. LOVERING. And a ship arriving there knows before it arrives even, or knows when it does arrive, that it will have a cargo?

Mr. DRAKE. Yes, sir; we are advised of the arrival and departure of the ships and the amount of cargo they have or may expect. That does not apply to the European markets.

Mr. LOVERING. You have a great deal of demurrage?

Mr. DRAKE. The ships move regularly. I may say that there were, within one week in December, 20 large steamers handled in the port of Colon, where we have only three wharves at present, without any demurrage or any interruption of regularity. There was some little interruption, but we were able, by our organization down there, to handle it; but without the officers in New York it would be more difficult to manage it, because friction and delays can be more speedily repaired between principals.

Mr. LOVERING. It would be more difficult without the officers in New York?

Mr. DRAKE. The whole business is directed from New York. Under our concession we are compelled to retain a representative down there,

but the operations are all directed from here. We have a general manager who is in close touch with the railroad all the time, and the superintendent reports to us by every mail everything that needs consideration here, or that he needs authority for there. Anything that is important and requires the action of the executive committee is submitted to it. Every outgoing mail is bulky with letters containing instructions to him for handling all kinds of business that may arise. It would be destructive of traffic and revenue to so arrange that the management of the business of the railroad company be transferred to the Isthmus.

Mr. ESCH. You state that reducing the railroad rate would have the effect of diminishing the through rate, and that would be detrimental to the through road. Would not the reduction of the through rate stimulate rather than discourage business?

Mr. DRAKE. Yes, sir; it should, undoubtedly.

Mr. ESCH. Would not, then, the railroad receive an increased revenue by reason of the increased business?

Mr. DRAKE. That would depend upon what was done with that reduction. If the present carriers on both sides remained, and other companies operating on both sides arranged for an interchange of traffic on the basis of the railroad's reduced rate, it might be that would throw open the business to severe sea competition, which might result in the survival of the fittest, and so produce the conditions that gave us the Pacific Mail connection in 1878.

Mr. LOVERING. Do you ship much freight that originates at interior points of this country on the Atlantic?

Mr. DRAKE. Yes, sir; our rates are made so that in exceptional cases they extend back even to Chicago.

Mr. LOVERING. Has that freight originating in Chicago been shipped to New York, and by your steamers to Colon?

Mr. DRAKE. Yes, sir; it has. It oftener comes from around Pittsburg. The other day when a large shipment of sewer pipe went from Marion, Ohio, to New Orleans, going down that way, we felt that our territory had been invaded.

Mr. LOVERING. Do you make a special rate in such cases?

Mr. DRAKE. No, sir; we make a through rate which absorbs the cost of bringing it to New York.

Mr. LOVERING. Does that obtain also on the Pacific slope?

Mr. DRAKE. No, sir; except in theory.

Mr. LOVERING. And notwithstanding that fact you can meet the competition of the transcontinental lines?

Mr. DRAKE. Yes, sir.

Mr. MANN. That is because of the fact that the transcontinental rate is the same from New York as it is from Omaha to San Francisco.

The CHAIRMAN. The postage-stamp rate?

Mr. MANN. No, sir; the freight rate. The freight rate is the same from all points east as it is from Omaha.

The CHAIRMAN. Just excuse me one moment. I want to ask one more question. You named a large number of persons who had been connected with the directory of the Panama Railroad. Were those gentlemen large stockholders?

Mr. DRAKE. No, sir; they were qualified stockholders.

The CHAIRMAN. Qualified by taking a share?

MR. DRAKE. By buying a share. They were owners of their stock.

THE CHAIRMAN. Was it presented to them?

MR. DRAKE. No, sir.

THE CHAIRMAN. Or did they buy it in the market?

MR. DRAKE. They bought it, sir.

STATEMENT OF WILLIAM NELSON CROMWELL,

General counsel and director of Panama Railroad Company.

MR. TOWNSEND. You have been connected with the Panama Railroad how long?

MR. CROMWELL. About fifteen years, sir.

MR. TOWNSEND. And during all that time you have been attorney for the road?

MR. CROMWELL. Yes, sir; my firm, Sullivan & Cromwell, are the general counsel.

MR. TOWNSEND. And also a director, have you?

MR. CROMWELL. Nearly all this period I have been a director.

MR. TOWNSEND. You were also active in negotiating the transfer of the stock of the Panama Railroad Company to the United States?

MR. CROMWELL. Yes, sir; I was general counsel for the New Panama Canal Company, and as such completed the transfer to the United States of the property of the canal company, including 68,886 shares of the stock of this railroad company.

MR. TOWNSEND. And you are now engaged in getting hold of the outstanding shares for the United States?

MR. CROMWELL. Yes, sir; in accordance with the information which I gave you at our last hearing the President and the Secretary of War charged me with the task of acquiring the balance of the stock at par, and I have made a proposal to stockholders to that effect.

MR. TOWNSEND. In the list of stockholders which you furnished us in New York the other day, and which I believe you stated is a correct statement of the holders of the stock so far as your books are concerned?

MR. CROMWELL. Yes, sir; absolutely; and I think it is substantially correct, in fact, according to the experiences I have had in dealing with the parties.

MR. TOWNSEND (continuing). You have a good many of these shares that you have purchased since, that have not been transferred to the United States?

MR. CROMWELL. Yes, sir; certain of them I have already acquired for the Government.

MR. TOWNSEND. I noticed by this list that you personally hold 30 shares?

MR. CROMWELL. Yes, sir.

MR. TOWNSEND. Have they been transferred to the Government?

MR. CROMWELL. Yes, sir; I was the first to turn in my few shares as soon as the Government was ready to take them. I transferred 29 of them to the Government, retaining one share to qualify me as a director. I had acquired 30 shares principally as a matter of convenience in the administration of the company, to qualify directors. As general counsel I had decided that it was necessary that each director should actually own at least one share.

Mr. TOWNSEND. When did you buy these 30 shares?

Mr. CROMWELL. Perhaps four or five years ago. The books will show. They are of trifling amount, you see, and were of no consequence to use otherwise.

Mr. TOWNSEND. Do I understand you that you purchased these shares for the purpose of transferring them to the directors?

Mr. CROMWELL. Yes, sir; as a convenient means of qualification, as required from time to time, but the directors always paid for their single qualification share. It is unprofitable, but a mere trifle.

Mr. TOWNSEND. Unprofitable?

Mr. CROMWELL. Certainly.

Mr. TOWNSEND. Is not the stock profitable?

Mr. CROMWELL. It has not proven so to the owners, in the payment of dividends or otherwise.

Mr. TOWNSEND. But as the owner of the stock you are the owner of the surplus?

Mr. CROMWELL. The surplus has not been distributed. It is, in fact, valuable, but it has not proven a good investment.

Mr. TOWNSEND. I do not believe I understand you.

Mr. CROMWELL. It has an inherent value.

Mr. TOWNSEND. You mean the stock that you have thus transferred has not been profitable to you? You mean that it has not been profitable to you?

Mr. CROMWELL. Certainly. The few shares I speak of have given no profit to me, nor were they acquired for that purpose. I attach no importance to such a small affair, from a business standpoint.

Mr. TOWNSEND. You do not maintain that the stock of the company is not valuable?

Mr. CROMWELL. On the contrary, I think it is valuable.

Mr. TOWNSEND. Now, you had something to do before now about the contract that was entered into with the Pacific Mail Company?

Mr. CROMWELL. Yes, sir.

Mr. TOWNSEND. When was it that that company—the Pacific Mail Company—was transferred from the Southern Pacific to the Northern Pacific?

Mr. CROMWELL. Permit me to correct your question. It was not the Northern Pacific that owned the majority of Pacific Mail stock; it was the Southern Pacific.

Mr. TOWNSEND. Is it the reverse of that?

Mr. CROMWELL. The transfer was from the C. P. Huntington estate to the Southern Pacific. I simply wanted your question to be so that I could correctly answer it. The Northern Pacific is not the railroad in mind.

Mr. TOWNSEND. Did we not have testimony that it was concerned?

The CHAIRMAN. A gentleman said yesterday that it was transferred to the Northern Pacific and then back to the Southern Pacific.

Mr. CROMWELL. That would be inaccurate, sir.

Mr. TOWNSEND. Tell us what the history of that is. We have it all down here in this testimony, and I am sure that the Northern Pacific is mentioned.

Mr. CROMWELL. It is a matter of current railroad history, and I do not suppose that my information is any better than that of other gentlemen. But we know, as a matter of current railroad knowledge, that the majority of the capital stock of the Pacific Mail Steamship Com-

pany was acquired some years ago by Mr. C. P. Huntington. After his death it was acquired by the Southern Pacific. Subsequently, by the absorption of the Southern Pacific into the Union Pacific system, it came into the control of the latter system, by which it is now held. We have no relations with any of these railroads that I speak of. I mention it simply as a matter of information.

Mr. TOWNSEND. I understand that the Panama Railroad Company has no connection, directly or indirectly, with any of these railroads?

Mr. CROMWELL. None whatever. We do not know them in the transaction of any of our business.

Mr. TOWNSEND. Can you tell me how many dividends the Panama Railroad Company has declared since the Commissioners, the members of the Isthmian Canal Commission, became directors in the railroad company?

Mr. CROMWELL. One dividend, sir.

Mr. TOWNSEND. When was that?

Mr. CROMWELL. In January last, the dividend which has just been paid, February 1, 1905.

Mr. TOWNSEND. And that was 5 per cent?

Mr. CROMWELL. Five per cent; yes, sir.

Mr. ESCH. In that connection, what was the share that the Government received on that dividend?

Mr. CROMWELL. In dollars and cents?

Mr. ESCH. Yes; if you can give it approximately.

Mr. CROMWELL. Yes, sir; I can. [Making calculation.]

Mr. MANN. That would leave out 1,034 shares.

Mr. CROMWELL. Yes, sir. The Government now owns 68,988 shares, of record, I think. I sold to the Government of the United States 68,887 shares. Since that time, by the direction of the Secretary of War, the Isthmian Canal Commission purchased 101 shares at par, making the present holdings of the United States Government 68,988 shares.

Mr. RICHARDSON. What is the number of the outstanding shares?

Mr. CROMWELL. Leaving outstanding in the hands of the public 1,012 shares. The United States has received in cash \$344,940, the dividend paid on the 1st of February of this year.

Mr. TOWNSEND. To whom was that paid?

Mr. CROMWELL. All of this sum was paid by check to the Secretary of War, with the exception of the dividends on 94 shares which stood in the name of Admiral Walker, chairman of the Isthmian Canal Commission, which was paid to him as the chairman of the Commission, and the dividend on the remaining 7 shares, owned by the Government, and paid directly to the seven members of the Commission, in whose respective names the shares stood.

Mr. TOWNSEND. You included in these shares the shares held in New York by the members of the Commission?

Mr. CROMWELL. Yes, sir; because they were qualified as directors out of the 101 shares which the United States purchased. Of the 101 shares purchased, 94 remained in the name of Admiral Walker, the chairman of the Commission, and the other 7 were divided among the members of the Commission.

Mr. RICHARDSON. What is the estimate of the value of the shares held by the public as compared with those held by the Government?

Mr. CROMWELL. There is no market value except \$100 a share.

Mr. TOWNSEND. Admiral Walker holds 95 shares?

Mr. CROMWELL. At first I qualified him and each member of the Commission out of my 30 shares. Afterwards this was returned to me. Of the 101 shares purchased by the Government there were 95 placed in the name of the chairman. One share was transferred to Admiral Walker to qualify him as director, leaving in his hands 94 shares as chairman of the Commission. The one share which stands in his name individually is also owned by the Government, as are those which stand in the names of the other members of the Commission.

Mr. TOWNSEND. Then he holds 95 shares with that one?

Mr. CROMWELL. Ninety-four in his capacity as chairman of the Commission, and one in his individual name, but all belonging to the Government.

Mr. TOWNSEND. Do you not think that the stock that the Government does not now own is likely to increase in value very rapidly by reason of this fact?

Mr. CROMWELL. I can not say. Have I made that clear, Mr. Townsend?

Mr. TOWNSEND. Yes, sir; I think so. Now, do you remember what was stated at the time Mr. Drake testified about (in New York) in regard to the payment of per diem fees to the members of the board of directors and to persons as members of the executive committee?

Mr. CROMWELL. I do not know anything about that.

Mr. TOWNSEND. You do not know that?

Mr. CROMWELL. No, sir.

Mr. TOWNSEND. You were not concerned in the matter?

Mr. CROMWELL. No, sir; it was none of my concern.

Mr. TOWNSEND. Now, you were employed as attorney for the Panama Canal Company?

Mr. CROMWELL. Yes, sir.

Mr. TOWNSEND. And also as attorney for the Panama Railroad?

Mr. CROMWELL. Yes, sir.

Mr. TOWNSEND. And you have also occupied the position as agent for the Republic of Panama in the investment of the \$10,000,000 obtained by them?

Mr. CROMWELL. I have. I was counsel to the special fiscal commissioners and I am now, in succession, the special fiscal commissioner of the Republic of Panama. Under my advice the Republic invested its moneys in the United States.

Mr. TOWNSEND. How much of that did they invest?

Mr. CROMWELL. \$6,000,000; and they have also nearly \$3,000,000 more on deposit at interest in New York.

Mr. TOWNSEND. And how much of that \$6,000,000 is invested in bonds of the Panama Railroad Company?

Mr. CROMWELL. About \$1,000,000 of the 4½ first-mortgage bonds were purchased in the open market at a premium. I regarded them as bonds of the highest character, and I recommended them to the Commission as being bonds worthy of their fullest confidence. I regard this corporation as one of the best in the United States, and they manifested their confidence in this Government by making the investment.

Mr. TOWNSEND. What was the actual price paid for those bonds?

MR. CROMWELL. Ordinarily I would ask to be excused from answering that question, as it involves my relations to the Republic; but as I have, with the approval of the Republic, informed the United States Government of the transaction, I feel at liberty to state to you that the Government of Panama paid 105 per cent. They were purchased in the open market the same as Government bonds or anything else are purchased. The purchase was no concern of the Panama Railroad Company as a corporation, of course. The bonds were not purchased from the company, but through bankers in the open market, as an investment.

The balance of the money of the Republic is invested in first mortgages upon improved real estate in New York, at the rate of $4\frac{1}{4}$ to $4\frac{1}{2}$ per cent; investments of the highest character, and in respect of all which we feel some pride.

MR. LOVERING. I would like to ask you if you consider it a good business proposition for the Government, or anybody connected with this railroad and this property, to continue operating it as a complete through transportation line?

MR. TOWNSEND. From New York to San Francisco?

MR. LOVERING. From New York to San Francisco, complete. I am asking for your judgment on it as a business question.

MR. CROMWELL. I understand that you mean as to earnings, being controlled solely by business considerations and not by any question of public policy. With that understanding, I answer, yes. As I have said at a previous hearing the Panama Railroad has been in operation for over fifty years. It has not ceased operations one hour during that long period. It has never defaulted in payment during that half century. It has never ceased throughout that whole period to make money, save in two or three years when the board experimented with some new business policy, as Mr. Drake and others have testified. I refer especially to the periods when they terminated the contracts with the Pacific Mail, on one occasion inaugurating the "open-door" policy and on another occasion making alliance with the San Francisco merchants. On those occasions we suffered loss. But it is a very interesting fact to note the earnings made during this half century. It may be of interest to you, for I assume that you desire to know all about your property. You want to make up your minds as to whether you had better disintegrate and abandon this splendid business which it has taken half a century to build up, or whether you want to operate it and make earnings which will diminish to that extent the cost of the canal. It is for us, of the Panama Railroad Company, to give you all the light we can. None of us have any pecuniary interest in what you do about it. The New York gentlemen who are directors are serving as a matter of favor, and they are perfectly indifferent, from a pecuniary point of view, as to what the United States does with this property after it becomes sole owner. As a matter of fact, it has been a great boon to the stockholders to get them to serve and to secure their great experience and active interest. They are gentlemen of distinction in their several occupations. We had two bank presidents, two railroad presidents, two bankers, one cotton merchant of great experience, two retired generals of the Civil Engineer Corps of the United States, one civil engineer and railroad manager of international reputation, besides Mr. Drake. I assume that you want to know some-

thing about your property. Therefore I present you a statement, prepared by the treasurer, showing that from 1852 to November 30, 1904, the Panama Railroad Company earned \$38,859,254.

EXHIBIT 8.

Net earnings, 1852 to November 30, 1904.

1852	\$171,759.33
1853	202,334.65
1854	181,212.29
1855	591,278.55
1856	847,629.72
1857	591,481.49
1858	735,653.72
1859	579,206.65
1860	765,628.23
1861	841,287.04
1862	1,309,527.70
1863	1,159,898.30
1864	1,815,013.65
1865	1,258,744.59
1866	3,054,441.70
1867	1,838,301.84
1868	2,465,697.52
1869	972,521.78
1870	343,315.49
1871	244,680.20
1872	700,584.48
1873	579,774.39
1874	562,001.91
1875	730,714.21
1876	695,147.04
1877	1,071,683.37
1878	1,079,626.06
1879	1,120,957.46
1880	1,102,258.39
1881	1,306,406.03
1882	1,082,535.29
1883	1,151,791.67
1884	1,175,823.67
1885	71,609.56
1886	118,581.20
1887	619,831.37
1888	1,150,544.45
1889	384,149.69
1890	348,873.82
1891	323,800.83
1892	182,816.90
1893	^a 133,699.61
1894	^a 80,776.02
1895	62,943.85
1896	545,684.53
1897	409,873.37
1898	266,746.73
1899	295,231.77
1900	446,764.68
1901	259,590.12
1902	295,384.40
1903	401,068.30
1904 (11 months)	561,315.95
Total	39,073,729.93
Less losses	214,475.63
Net earnings, 1852-1904	38,859,254.30

^a Deficit.

Throughout that entire period there were, you see, but two years in which a deficit occurred. Those were the years 1893 and 1894, when the company was trying one of these experiments. This \$38,000,000 is the colossal return of this property, managed as a combined railroad and steamship business.

The CHAIRMAN (Mr. Hepburn). How much has it diminished its debt during that time?

Mr. CROMWELL. During that period, sir?

The CHAIRMAN. Compare the debt of 1852 with the debt of to-day.

Mr. CROMWELL. Mr. Chairman, there was no mortgage on the property in 1852. It was built with the proceeds of the stock, etc. The company has never issued but two mortgages in all its history.

The CHAIRMAN. When were they issued?

Mr. CROMWELL. The 7 per cent sterling mortgage was issued in 1867, and it matured in 1897. It was for \$4,000,000. In 1897 it was replaced by the present 4½ per cent first mortgage issue. By applying earnings to that purpose we have gradually reduced that issue so that to-day there are outstanding but \$3,159,000 bonds, of which the company itself owns in its own treasury, as treasury assets, \$647,000, leaving only \$2,372,000 in the hands of the public. Thus the original mortgage debt of \$4,000,000 has been reduced to a net outstanding indebtedness of \$2,372,000.

The CHAIRMAN. When you say "this mortgage," you mean the last one?

Mr. CROMWELL. Yes, sir; the present 4½ first mortgage.

The CHAIRMAN. The older one was canceled?

Mr. CROMWELL. Yes, sir: it was canceled in 1897 and replaced by the present one I have referred to. I made the sale of \$2,000,000 of these bonds myself to Messrs. Vermilye & Co., bankers, of New York, as a member of the executive committee. I sold them at a good price, and from the proceeds of the sale of these 4½ per cent bonds, plus \$705,000 cash out of the treasury, we paid off the balance due on the sterling mortgage.

The Panama Railroad Company is never a borrower. Such a thing as issuing a note or bills payable, or anything of that character, is unknown to us. We are always a depositor of money at interest. For years and years, surely as long as I have been connected with the company, it has been a depositor at interest of moneys in the trust companies of New York, and it is so at this moment. We seldom have a balance of less than \$500,000 to \$1,000,000 in cash. Our balance now is over \$500,000 at this moment, after paying \$350,000 in dividends on the first of this month. We discount for cash our accounts current for supplies as fast as we can, availing ourselves of every means of discount and economy in that way.

Mr. WANGER. How much of those net earnings were earned before the railroad company went into the steamship business on the Atlantic side?

Mr. CROMWELL. From 1852 to 1878 the railroad company had several different steamship connections on the Atlantic. From 1878 to 1893 it had a traffic contract with the Pacific Mail, which operated a regular line between New York and Colon.

In 1893 the railroad company established its own steamship line on the Atlantic, displacing the Pacific Mail on the Atlantic, and has

ever since maintained the supremacy. This is the line we now operate.

From Exhibit S it will be seen that the earnings from 1852 to 1878 were \$24,309,519.84; from 1878 to 1893, \$11,219,606.39, and from 1893 to 1904, \$3,330,128.07. The Panama Railroad is a New York corporation, and its charter provides that it not only may conduct a railroad business, but also a steamship business, and it is pursuant to that power that those joint operations are carried on.

The Panama Steamship Line is not a separate corporation, but is merely one branch of the corporate business, which is divided into two departments, the railroad and the steamship.

Mr. ADAMSON. It is merely a property of the railroad company?

Mr. CROMWELL. That is right. One branch is reciprocal to the other; and for that reason I think it is inadvisable to separate the Atlantic Steamship Line from the railroad. The railroad is fed by the Atlantic Steamship Line.

Mr. MANX. Just one question there, not connected with this at all.

Mr. CROMWELL. Yes, sir.

Mr. MANX. As counsel for the railroad company, have you had any occasion to form any opinion, or have you otherwise come to any judgment, as to our right—the right of the Government—to condemn the shares of the company held by private owners?

Mr. CROMWELL. Yes, sir. I have studied that question.

Mr. MANX. What is your opinion?

Mr. CROMWELL. My opinion is that the bill which has been recommended by this committee and which has passed the House (known as the Mann bill) is constitutional, and that the condemnation proceedings therein provided for are legally enforceable.

Mr. RICHARDSON. Did you ever know of an instance in the history of the country where it was done?

Mr. CROMWELL. There is no condemnation statute of this kind in any State of the Union. It is unique, but there are decisions of the courts sustaining the principle of the bill.

Mr. RICHARDSON. Under the right of eminent domain?

Mr. CROMWELL. No, sir. I am sure that I could not tell you gentlemen, who are so able and experienced and have traveled over this ground so thoroughly, anything additional to the result of your studies. Mr. Townsend asked me a question upon that subject at the last session, and I gave him an opinion, off-hand, and this will be found in the minutes.

Mr. ADAMSON. I have heard of such things. There is a case in Massachusetts and one in Connecticut, I believe, but I have not read them. Have you seen them?

Mr. CROMWELL. Yes, sir. They sustain this principle upon which the pending bill is framed.

Mr. ADAMSON. Did they condemn the minority stock, or the entire property?

Mr. CROMWELL. The minority stock.

Mr. SHACKLEFORD. I will say that this testimony, which has been given at these hearings and is typewritten, is here and can be read by everyone who wants it; and there is in it a very thorough review of this by Mr. Cromwell, and I may say a very satisfactory review.

Mr. RICHARDSON. You have never known an instance in the history

of the country where the right of eminent domain was exercised by the condemnation of personal property?

MR. CROMWELL. No statute exists; but the right of appropriation of real or personal property for public use is an attribute of sovereignty and can be exercised through a statute.

MR. RICHARDSON. Yes, sir.

MR. CROMWELL. I have no doubt whatever of the constitutional power of Congress to enact such a law. The right of eminent domain undoubtedly resides in the United States, and the power which may define the exercise of it is the Congress of the United States. There must exist a public need and the subject-matter must be, of course, within the jurisdiction of the United States.

As an illustration, we could not condemn the railroad itself of the Panama Railroad Company under the right of eminent domain, because that is upon the Isthmus in a foreign territory, and Congress has not jurisdiction of the land—the road, the corpus. But the stock of the Panama Railroad Company is in contemplation of law in the State of New York. As you know so well, the capital stock of a corporation is in contemplation of law at the charter home of the corporation. The certificates for the shares of stock which the ordinary layman considers to be the stock itself, we all know is not the stock, the certificate being simply the evidence of ownership in the stock. The stock itself lies in the company, and in this case it is a New York corporation—its legal home is in the State of New York. The proceeding is somewhat in the nature of a proceeding in rem, as in the case of a vessel. The vessel is brought into court, theoretically, and in contemplation of law is before the tribunal; the parties in interest all over the world are notified in manner prescribed by statute and are bound by the decree of the court; there results a decree of sale of this personal property as against all owners, lienors, and others, and title absolute passes to the purchaser. The rights of the former owners, etc., are thus transferred to the proceeds of sale. This is an illustration. As I said at the previous hearing, the principle which sustains the bill you have passed lies in the public use—the public necessity. I have no doubt in this case that the Government will be able to show that the public use, national interest or necessity, requires the ownership of the stock; for it is not merely the ownership of the majority, or of nearly all of the stock, that will enable the United States to devote the Panama Railroad to all the uses which the public interests require in the construction of the canal. You require all of the stock to fully utilize the railroad in the construction of the canal.

MR. ADAMSON. I desire to ask you a question which Mr. Shackelford says is not a repetition of the record, in regard to these decisions in the States.

MR. CROMWELL. Massachusetts and Connecticut?

MR. ADAMSON. Yes. Does it appear that the State owned the majority of the stock?

MR. CROMWELL. No, sir; private ownership. In principle, however, I do not think it makes any difference; and in the present case there is the additional reason of necessity for public use.

MR. ADAMSON. I do not think there is any doubt of our right, and I do not think there is any doubt of our power. The question is whether it is necessary to do that.

Mr. CROMWELL. The necessity and justification lies in this. The Panama Railroad is a necessary instrument for the completion of the canal. It is the only railroad empowered to operate upon the Isthmus. It has an exclusive concession to that effect. That concession has sixty years to run, and it underlies even the treaty between the United States and Panama. It follows that this railroad is a necessity in the construction of the canal, which is a public work of superlative utility.

Now, as long as any of the stock is outstanding the road must be operated as a commercial road, for profit. The public need dominates all other views on this subject, and, in my opinion, justifies a court in expropriating the outstanding shares to the public use, so that the United States may operate the railroad without profit, if it chooses, and untrammelled by the requirement of using it for commercial purposes, if need be; that it may use the railroad as an instrument of construction, just as it may use any other instrumentality.

Mr. ESCH. Conceding the right of the Government to maintain the steamship line on the Atlantic, supposing the Government condemned all the outstanding stock, and thus became the owner of the railroad and the steamship line, could not the Government continue this exclusive contract with the Pacific Mail Steamship Company?

Mr. CROMWELL. Under the law, you mean?

Mr. ESCH. Yes, sir.

Mr. CROMWELL. Do you mean for the United States to continue it as the direct owner of the railroad and steamship property, or do you mean through the corporation itself?

Mr. ESCH. As the owner of the property. We would become the owners of the property.

Mr. CROMWELL. If the United States acquires all the outstanding stock, of course the corporation would exist just the same. The only change taking place would be the change of ownership of stock, and if the United States chose to continue in that relation, then the business would still go on through the corporation in any manner that the United States as the single stockholder might dictate.

Mr. MANN. Suppose that we should absorb the Panama Railroad corporation, then what would be the effect of the exclusive contract on the Pacific Mail Steamship Line? Suppose the Government acquired the ownership of all the stock?

Mr. CROMWELL. Yes, sir.

Mr. MANN. And then proceeded to absorb the Panama Railroad Company and became the owner, simply as the Government? Would the Government then have the right to maintain an exclusive contract with the Pacific Mail Company?

Mr. CROMWELL. You mean as a matter of law?

Mr. MANN. Yes, sir.

Mr. CROMWELL. You mean as a matter of public policy and law?

Mr. MANN. Yes; or have you given consideration to that subject?

Mr. CROMWELL. I have considered it, but I would prefer not to express it just now, if you will kindly excuse me.

Mr. ADAMSON. Suppose we take the instance mentioned just now, and in lieu of condemnation proceedings let the court administer and we buy the property. Would not we then become the assignee of every right and obligation that this railroad company has?

Mr. CROMWELL. That would require proceedings for judicial dissolution under the law of New York, and it would be necessary for the United States, in order to become the purchaser of the property, to make a bid large enough to pay off all the debts of every character and such sum as would be competitive with strangers.

Mr. ADAMSON. My object was to suggest to your mind the legal aspect of the question; that is, if we purchased the property we would take over the rights and the contracts and everything else.

Mr. CROMWELL. Certainly; the United States then would be the direct owner of the property, just as it is now of the canal property.

Mr. TOWNSEND. What arrangement do you make, or has the railroad made, with the United States Government down there now in the operation of the canal?

Mr. CROMWELL. In the operation?

Mr. TOWNSEND. Yes, sir; for its assistance to the canal work there?

Mr. CROMWELL. The railroad company transports material, supplies, etc., for the Government at fixed rates and serves all the requirements of the Government at a specified tariff; but, as you know, the Government is not yet actively carrying on actual construction work on the Isthmus in a manner to require any important use of the railroad. The construction work of the United States, as you know so well, is at present confined mostly to the excavation at the Culebra cut, the sanitary work, and the terminal ports. Up to this time we have been able to satisfy all demands without undue tax upon our railroad facilities.

Mr. TOWNSEND. Does the Panama Railroad Company own those sidings where they take off the dirt?

Mr. CROMWELL. Yes, sir; all the sidings are owned by the railroad company. We own about 25 miles of sidings. But where the excavation is made—disconnected from our road—the tracks are now owned by the Government.

Mr. TOWNSEND. Those are leased to the Government now?

Mr. CROMWELL. No, sir; they do not operate over them to any extent yet. They dispose of the excavated material over the tracks acquired from the canal company.

Mr. TOWNSEND. Have you any account with the United States, showing what they have paid the railroad company?

Mr. CROMWELL. Yes, sir.

Mr. TOWNSEND. Could you give an itemized account of that?

Mr. CROMWELL. Yes, sir; there is nothing that you want that we can not give you if you will but give us a few days in which to furnish it. The accounts and records of the company are marvels of detail.

Mr. Wanger has requested me to present a copy of the railroad concession now existing with the Republic of Panama, and I do.

It is marked Exhibit 16.

(Thereupon the committee adjourned.)

EXHIBIT 16.

CONCESSIONARY CONTRACT BETWEEN THE UNITED STATES OF COLOMBIA [REPUBLIC OF PANAMA] AND THE PANAMA RAILROAD COMPANY, MADE IN 1867, AS MODIFIED BY THE CONTRACTS MADE IN 1876 AND 1880, AND BY AMENDMENTS OF AUGUST 18, 1891.

CONTRACT REFORMATIVE OF THAT OF 15TH APRIL, 1850, CONCERNING THE CONSTRUCTION OF A RAILROAD FROM ONE OCEAN TO THE OTHER, ACROSS THE ISTHMUS OF PANAMA.

The secretary of finance and public improvements of the United States of Colombia duly authorized by the executive power, on the one part, and on the other George M. Totten, engineer in chief and general agent of the Panama Railroad Company, with full power and authority from the directors of said company; having in consideration the stipulation in Article II of the contract made with said company, and approved by the legislative decree of the 4th of June, 1850; and desiring to provide whatever may be needful for the perfection of the work of the said railroad, in order that it may better answer the necessities of the commerce of the world, and at the same time furnish a sure and permanent revenue to the treasury of the Republic, have agreed to modify and reform the said contract in the terms set forth in the following stipulations:

ARTICLE I.

The Government of the United States of Colombia concedes to the Panama Railroad Company the use and possession, for ninety-nine years, of the railroad constructed by it, and which actually exists between the cities of Colon and Panama. This concession comprises not only the road, but also the buildings, warehouses, wharves, dockyards, telegraph between Colon and Panama, belonging to the road, and in general all the dependencies and other works of which the said company is now in possession, necessary to the service and development of the enterprise, and those which in the future it may establish with the same purpose.

ARTICLE II.

The Government of the Republic binds itself, during the time that the exclusive privilege which is conceded to the company for the working of the railroad remains in force, not to construct for itself, nor to concede to any person or company, by any title whatever, the power to establish any other railroad on the Isthmus of Panama; and it also stipulates that, while the said privilege continues in force, the Government shall not have the power of undertaking for itself, nor permitting any person to undertake, without the concurrence and consent of said company, the opening or working of any maritime canal which may unite the two oceans across the said Isthmus of Panama to the west of the line of Cape Tiburon on the Atlantic and Point Garachiné on the Pacific. But it remains stipulated that the right which is conceded to the company to give its consent does not extend to its opposing the construction of a canal across the Isthmus of Panama (except on the actual route of the railroad itself), but only to its exacting an equitable price for such privilege and as indemnification for the damages which the railroad company may suffer by the rivalry or competition of the canal.

If the sum which may be demanded by the company shall not appear equitable to the Government of the United States of Colombia, then it shall be fixed by arbitrators in New York or Panama, one to be named by the Government and the other by the company, and in case of their not agreeing the two shall name a third, whose decision shall be without appeal.

In pronouncing their decision the arbitrators shall take into consideration the grounds upon which the company rests, and the information which the Government shall give upon the matter, and in view thereof they shall decide without appeal as they may deem most just and equitable.

The sum, whatever it may be, which shall be finally designated, shall belong one-half to the railroad company and one-half to the Government of Colombia.

ARTICLE III.

In compensation of and as a price for these concessions, the railroad company binds itself to pay to the Government of the United States of Colombia one million of dollars in American gold, or in bills on New York payable in the same kind, as the Government may elect, on the day on which this contract shall be approved by Congress, and to pay from the present time, and until the expiration of the present privilege, an annual revenue of \$250,000 ^a in American gold. The company will make the payments quarterly in New York to the agent designated by the Government of the United States of Colombia, or if the Government should desire, the company will place the money in London or Panama, the Government giving the necessary notice to the company in New York. These quarterly payments shall commence to count from the date of the approval of this contract by Congress.

From the revenues which the Government acquires by this contract there shall be set apart annually during the twenty years twenty-five thousand dollars, which the company shall deliver to the Government of the State of Panama.

ARTICLE IV.

The company binds itself to extend the railroad on the Pacific side to the islands of Naos, Culebra, Perico, and Flamenco, or other place in the bay where there may exist a permanent depth of water for large vessels.

Whereas a certain contract was made between the Government of the United States of Colombia and the Panama Railroad Company, dated the fifth day of July, one thousand eight hundred and sixty-seven, in abrogation of and to take the place of another contract between the same parties of the fifteenth day of April, one thousand eight hundred and fifty, which first-mentioned contract was afterwards approved by the said Government, by legislative decree, on the sixteenth day of August, one thousand eight hundred and sixty-seven, with certain modifications, which modifications were accepted by the said railroad company; and whereas it was stipulated by the said new contract, by Article IV of the same, that the said railroad company should extend its railway to the islands of Naos, Culebra, Perico, and Flamenco, or any other place in the bay of Panama where a permanent anchorage may be found for large vessels, as by reference to said contract will more fully and precisely appear:

And whereas the said railroad company has not yet completed the said work, and denies any present obligation to proceed with the same; and whereas the Congress of the United States of Colombia, on the twenty-sixth day of July, one thousand eight hundred and eighty, by an act passed on that day, authorized the executive power of the said United States of Colombia to enter into negotiations with the Panama Railroad Company, in order to declare it liberated from the obligations it assumed by the aforesaid Article IV of the contract made on the sixteenth day of August, one thousand eight hundred and sixty-seven, for the extension of the said railway in the harbor of Panama as aforesaid, by which act a sum of money was to be paid to the said Republic of the United States of Colombia sufficient, in the judgment of the executive power of the said Government, to compensate for the release from the said article as aforesaid:

And whereas the national executive power of the said Government has appointed Mr. Solomon Koppel as its agent and attorney for the purpose of negotiating with the said railroad company for the abrogation of the said Article IV, and has given to him full, complete, and absolute power to enter into, carry out, and conclude, in the name of the Government of the United States of Colombia, the negotiations for the purpose of abrogating the aforesaid Article IV of the said contract:

And whereas the chief executive of the said Republic of the United States of Colombia has exercised the discretion conferred upon him by the aforesaid act of Congress, by the issue to the said Solomon Koppel of instructions by which the said Solomon Koppel, as such agent and attorney of the Government of the United States of Colombia as aforesaid, is directed to negotiate only for an exemption or abrogation of the aforesaid Article IV for a period of not exceeding thirty consecutive years, and has further exercised the aforesaid discretion and

^a NOTE.—\$225,000 of this annual subsidy was advanced and paid by the company to the Colombian Government in November, 1880, for the full period intervening up to March 27, 1908.

authority conferred by the said act of Congress by fixing the amount to be paid by the said Panama Railroad Company for the abrogation of the said Article IV, and which, by the aforesaid written instructions, is limited to the sum of ten thousand dollars per annum for each of the years during which the said Article IV is suspended or abrogated.

And whereas the said Solomon Koppel is now in the city of New York, and has had a negotiation with the Panama Railroad Company touching the matters aforesaid, and has agreed with the said company to the suspension of the said Article IV for the full period of thirty years from the first day of November, one thousand eight hundred and eighty, upon condition that the said company should pay to the said Government of the United States of Colombia the full sum of ten thousand dollars per annum for each of the said thirty years, making an aggregate payment to the said Government for the suspension and abrogation aforesaid of three hundred thousand dollars in American gold, in all of which actings and doings the said Solomon Koppel has complied exactly with the written instructions of the said chief executive of the United States of Colombia as the same were communicated to him, and as the same have been handed by him to the Panama Railroad Company.

Now, therefore, this agreement witnesseth that, in consideration of the premises and for the aforesaid sum of three hundred thousand dollars in gold coin, payable at the rate of ten thousand dollars in each year from the execution hereof by the Panama Railroad Company to the United States of Colombia, the said Government has fully exonerated, released, and discharged, and does hereby fully exonerate, release, and discharge the said Panama Railroad Company from all its obligations of every nature whatsoever arising upon or growing out of the aforesaid Article IV of the contract of the fifth day of July, one thousand eight hundred and sixty-seven, by which article the said company was bound to extend its railroad on the Pacific side, as is provided in and by the said contract, to which special reference is hereby made, and the said contract, in so far as concerns the extension of the said railroad into the Bay of Panama aforesaid, is hereby, in accordance with the full power granted to the chief executive of the said Government by the Congress of the United States of Colombia, abrogated and annulled. But this abrogation, suspension, and annulment of the said Article IV shall continue only for the period of thirty years from and after the first day of November in the year one thousand eight hundred and eighty, and at the expiration of the said term of thirty years the said Article IV of the said original contract of the fifth day of July, one thousand eight hundred and sixty-seven, shall again be revived, and shall be and remain thereafter in force and effect as the same now exists. And the said Panama Railroad Company, in consideration of the aforesaid suspension, release, and abrogation of the said Article IV for the term and period as aforesaid, hereby agrees to pay to the said Government of the United States of Colombia the just and full sum of three hundred thousand dollars in gold coin as follows, viz: The sum of ten thousand dollars on the first day of November in each and every year, payable in the city of New York, during the said term of thirty years, the first of said annual installments to be payable on the first day of November, which will be in the year one thousand eight hundred and eighty-one, and on each first day of November thereafter until the whole sum of three hundred thousand dollars shall have been paid. And it is further provided and agreed that in case the said Panama Railroad Company, or its successors, shall determine to extend its said line of railway to the islands in the Bay of Panama, or to deep water, in accordance with the terms of said Article IV as originally agreed, and shall actually construct the same, that then and from thenceforward the annual payment of ten thousand dollars for each of said thirty years shall cease for the remainder of said term then unexpired, anything herein contained to the contrary in any wise notwithstanding; but this termination of said annual payments shall not take effect until the expiration of six months after said Panama Railroad Company shall have given notice to the Government of the United States of Colombia of the actual completion of said extended line in the Bay of Panama as aforesaid.—[Contract of 1880.]

ARTICLE V.

During the whole term of this privilege the company shall have exclusive right to establish across the Isthmus of Panama within the zone indicated in article second, any class of carriage roads whatever, from one ocean to the other. The Colombian Government binds itself not to undertake for itself, nor to permit any other company or person to undertake within said zone any other carriage road,

either macadamized, or of plank, or of any other class suitable for the use of wheeled vehicles, between the two oceans across the Isthmus of Panama. It being, nevertheless, well understood that the privilege of which this article treats can not and must not in any manner prevent the construction of any kind of roads in a direction distinct from that expressed, nor the completing, preserving, and improving of roads already existing, or which are actually being constructed on said Isthmus.

ARTICLE VI.

The company shall have the right for the whole term of this privilege:

1st. To regulate and direct the use of the ports, embarking and disembarking places, wharves, anchorage grounds, etc., at the termini of the railroad, and to establish agents with powers to carry into effect the regulations that it may make in this particular in conformity with the laws of the Republic. These regulations shall be submitted to the approval of the executive power, without which they can not take effect. The executive power may refuse its approbation, alter and revoke them as it may deem convenient;

2d. To use the embarking and disembarking places, wharves, etc., that it has constructed or may construct in the ports situated at the two extremes of the road;

3d. To use the landings necessary, and especially those designated for the storage and free deposit of all goods and merchandise admitted for transit over the Isthmus on the railroad constructed by the company. By virtue of this privilege the company may collect as compensation for the use of the line of communication, means of transportation, landings, warehouses, and establishments of all kinds belonging to it, such tolls for transporting, wharfage, storage, and labor as it may deem proper to establish.

The company continues in the exercise of all the rights conceded to it in the 6th article of the contract of 5th of July, 1867. Consequently it may regulate and direct the use of the ports, embarking and disembarking places, wharves, anchorage grounds, etc., at the termini of the railroad, and establish agents with powers to carry into effect the regulations that it may make in this particular in conformity with the laws of the Republic. These regulations shall be submitted to the approval of the executive power, without which they can not take effect; but the executive power, after having once approved them, can not change them nor revoke them without the consent of the company.—[Art. I of Contract of 1876.]

ARTICLE VII.

The executive power shall determine the forms to be observed in the landing of goods on either ocean; and the intervention therein of the officers of the Republic to prevent the effects destined for transit from one ocean to the other from being left on the way or fraudulently introduced for internal consumption. Said precautions shall be such as may tend to prevent all frauds to the injury of the public revenue without delaying or embarrassing the rapid dispatch and transit of passengers and packages of merchandise, luggage, and goods of all kinds which may be subjects of lawful commerce

ARTICLE VIII.

The company may give to the actual railroad a different direction from that which it now has, and which it may deem most favorable to the enterprise, it being free to choose the points of departure and arrival which may appear to it most advantageous and most convenient for the entrance and anchorage of vessels, or for ports properly so called, and for embarking places, dry docks, places for lighterage, landings, warehouses, stations, hotels, and establishments of all kinds, and this without prejudice to what is stipulated in article fourth of this contract.

ARTICLE IX.

The Government of the United States of Colombia ratifies the concession made to the Panama Railroad Company by the contract of the 15th of April, 1850:

1st. Of the lands that it has required and that it may require for the establishment of the line of railway in its whole extent, provided such lands belong to the Government;

2d. Of the lands which were necessary for seaports, dry docks, river ports, landings, embarking places, places for lighterage, warehouses, stations, hotels, and generally for all the necessities of the service of the railroad, always provided that such lands shall be the property of the Republic;

3d. Of the concession made by gratuitous title and in perpetuity of sixty-four thousand hectares of vacant lands in the territory of the State of Panama, with exception of the islands in both oceans and of the districts which formed on the 1st of January, 1849, the territories of "Bocas del Toro" and of "Darién," limits of which were fixed by the law of the 9th of January, 1855. This concession may be extended to ninety-six thousand hectares if there shall be that number disposable within the limits of the ancient provinces of Panama and Veraguas in such manner that the Government can adjudicate them as vacant lands; and the company shall have the right to select them in the continental part of said provinces as they may deem most convenient. But it is stipulated that in the lands which the company may select on the line of road, and its vicinity, there shall positively be left regular intervals equivalent in extent to those (tracts) which shall be given to the company, in order that the Government may be enabled to make grants or sales of land for other establishments which may desire to locate themselves on the line and in the neighborhood of the road.

Paragraph. The lands granted to the company by sections first and second of this article shall be returned to the Republic at the expiration of the present privilege in the terms and with the formalities prescribed in this contract.

ARTICLE X.

In the grant of vacant lands in perpetuity made to the company by the contract of 1850 and ratified in section third of Article IX of this contract there is not included the number of hectares contained in the island of "Manzanillo," in the Bay of "Limon," but they are included in the grants treated of in the first and second sections of the article cited, with the exception of four hectares which the Government reserves as an area for the construction of buildings for public offices, schoolhouses, prison, and other objects of public use, which shall be delivered by the company properly graded and in condition for building upon them. But it is understood that in the designation by the Government of the place or places in which it desires to take the four hectares reserved to it by this article, it shall not choose those which may be necessary for the construction and service of the railway and its dependencies, nor those which may be already occupied by buildings now standing or which are to be reconstructed.

This selection may be made by the Government, in anticipation, as it may see fit, in accordance with the plan of the city, in order that the lands may be delivered to it so soon as the nature of the ground permits of the grading being carried on.

ARTICLE XI.

The lands conceded to the company by article ninth, section third, shall be delivered as may be requested on compliance with the legal formalities established for such cases, and it being incumbent on the company to prove their character as vacant lands, to measure them, and to make the respective plans. The adjudication of said lands shall be made by the executive power, and from the time the declaration is made in the premises they shall be considered definitely adjudicated to the company; but the provisional adjudication shall be made by the President of the State of Panama, submitted always to the examination and approval of the national executive power, and while not disapproved it will only produce the effect of preventing any ulterior grant of the same lands in favor of a third party. The Republic is not bound in any case to the vacating and guaranteeing the title of the vacant lands which may be adjudicated to the company.

The executive power will fix a time in agreement with the company within which the latter shall be bound to designate the vacant lands to which it has the right.

ARTICLE XII.

When the lands which may be required for the extension of the line of the railroad, as referred to in article fourth of this contract, or for changes of direction of the line, or for the establishment of a second line of rails, shall be the

property of private individuals, the company shall have the right to obtain them on an official appraisement and the just indemnification of the proprietor, in conformity with the dispositions of the law of the 22d of May, 1866, "concerning the mode of proceeding in those civil cases, the cognizance of which appertains to the tribunals of the Union."

ARTICLE XIII.

The railroad enterprise is esteemed of public utility.

ARTICLE XIV.

The company is authorized to propose to the executive power the regulations which it may judge proper for the police, security, and preservation of its ways of communication, ports, works, and establishments of all kinds; but such regulations shall not be put in force without the express approval of the executive power, which even after having approved them may amend or annul them as it may deem proper, proceeding always in conformity with the laws of the Republic.

The company continues authorized to propose to the executive power the regulations which it may judge proper for the police, security, and preservation of its ways of communication, ports, works, and establishments of all kinds.

Such regulations shall not be carried into effect without the express approval of the executive power; but the latter, after having approved them, can not change them nor annul them without the consent of the company.—[Art. II of Contract of 1876.]

ARTICLE XV.

The tariff of charges and freights on money, carriage of merchandise, and transport of travellers over the railroad, board and storage in the depots, and establishments of the company, shall be fixed by it, and modified as it may deem best for its interests, but it shall be bound to inform the local authorities of said tariffs and modifications with at least thirty days' previous notice.

ARTICLE XVI.

The company binds itself to transport gratis over the railroad the National and State mails that may have to be carried from ocean to ocean or to any intermediate point; and it may make such pecuniary arrangements as it thinks proper for the transportation of foreign mails, the passage of which over the Isthmus is declared free to all nations; but the Government of the Republic may prohibit the passage by the railroad of the mails of those nations that may be at war with it, in which case the company shall refuse to carry them over the railroad.

ARTICLE XVII.

The company may freely introduce into the Isthmus without payment of duties or imposts of any kind all the implements, machines, tools, materials, provisions, and manufactured articles intended for the construction, working, and preservation of the railroad, and the provisioning of the workmen employed on it.

ARTICLE XVIII.

The company is exempt from paying taxes or contributions, national, municipal of the State, or of any other kind, upon the railroad, its warehouses, wharves, machines, or other works, things, and effects of any kind belonging to it and which, in the judgment of the executive power, are necessary for the service of the said railroad and its dependencies.

ARTICLE XIX.

In compensation for these exemptions, the company binds itself to transport gratuitously and without the Government having to pay anything either for freight or for any other cause, the troops, chiefs, and officers, and their equipage, ammunition, armament, clothing, and all similar effects that may belong

to, are, or may be destined for the immediate service of the government of the Republic, or of the State of Panama, as also their officials in service or in commission, and those individuals who with their families and baggage may come to the country in the character of emigrants and of new settlers, with the permanent character of such, for account of the Government, up to the number of 2,000 annually. The executive power shall dictate the provisions as it may deem proper in such cases, in order to prevent those passengers whose entry into Colombian territory may be purely accidental from availing themselves of this concession.

The executive power of the union shall dictate the provisions which may be necessary, at the request of the company, to prevent abuses in the gratuitous passage which Article XIX of the aforesaid contract concedes to national employees and those of the State of Panama.—[Art. IV of contract of 1876.]

ARTICLE XX.

Colombian productions shall be transported by the railroad during the first twenty years of this contract, paying only one-half the rates of freight or transportation previously fixed by the company for foreign products of the same class, but this term being concluded they shall pay a charge or freight not exceeding two-thirds of that previously fixed in the tariff of the company—tariff rates which the company can not increase in future in regard to Colombian productions. (See amendments of Aug. 18th, 1891.)

In order that Colombian products may be transported by the railroad under the conditions of Article XX of the same contract, there must precede a declaration of the shipper, duly attested by the bill of lading of shipment, with a certificate of the administrator of the national treasury at the port of shipment or other similar document, at the time of offering them, that such products are really Colombian; a necessary condition, without which there shall be no ground for any claim.—[Art. V of contract of 1876.]

ARTICLE XXI.

Passengers, money, merchandise, objects, and effects of all kinds destined for interoceanic transit over the railroad, while they remain in the warehouses and depots of the company, or in its possession, are exempt from dues and taxes, national, municipal of the State, or any other description. In like manner the vessels which may enter the ports at the termini of the railroad, as well as their officers, crews, and their agents, shall be exempt from the payment of tonnage dues or of any other tax or contribution whatever on account of service applied directly to the interoceanic transit.

ARTICLE XXII.

Travellers passing from one sea to the other over the railroad shall not require any passports to pass over it, excepting in cases of foreign war or internal commotion, when the Government may deem the presentation of passports expedient for the security of the country or the preservation of public order. Nevertheless, persons who have been expelled from the territory of the Republic, or other individuals whom the laws forbid an entrance into the country, shall not pass over the railroad.

ARTICLE XXIII.

In case the present privilege conceded to the company shall be declared forfeited by the competent tribunal, it shall return to the Republic such lands granted in ownership, and by gratuitous title, as may not be already transferred in fee to the third party, and it shall have no right to exact any indemnification for improvements, nor for any other cause.

ARTICLE XXIV.

It is obligatory upon the company to make a survey of the lands, with notice to the owners of adjoining lands, and to make a topographical plan of the road, with all its dependencies, such as bridges, aqueducts, viaducts, and other works which it may have constructed for the service of the railroad, in order that by

means of such plan it may be clearly known what the company holds in ownership, and to what purpose the exemptions provided for are destined.

ARTICLE XXV.

The company binds itself to execute constantly, with all care, punctuality and celerity, the transportation of the travellers, cattle, merchandise, goods and materials of all kinds that may be confided to it, payment being made of the charges and prices of transportation that may be fixed in the respective tariff. The disposition of this article is, nevertheless, no obstacle to the company's entering into special contracts for the transportation of articles whose bulk, weight, or exceptional nature do not allow of their freights being fixed beforehand.

The provision of the final part of Article XXV of the aforesaid contract of 1867, by which the company was permitted to enter into special contracts for the transportation of articles whose bulk, weight, or exceptional nature would not allow of their freights being fixed beforehand, is made applicable to all kinds of articles of commerce.—[Art. III of Contract of 1876.]

ARTICLE XXVI.

Vessels of nations which may be at war with the United States of Colombia shall not be admitted to the ports situated at either extremity of the railroad, nor shall the productions, effects, and property of such nations enjoy the free transit of the Isthmus over the said road.

ARTICLE XXVII.

It is obligatory upon the company to maintain constantly in Panama or Colon a representative with sufficient power and authority to treat, whenever it may be necessary, personally with the Government on matters having relation to the enterprise.

ARTICLE XXVIII.

The present privilege cannot be ceded or transferred to any foreign government, that is to say, to any government existing outside of Colombian territory, under pain of forfeiture of the said privilege by the mere act of attempting or verifying such cession or transfer, which act, from the present time, is declared absolutely null and of no value or effect. This privilege shall also be forfeited in case the railroad company shall not execute the transportation during a period exceeding four consecutive months (fortuitous cases excepted).

This privilege will also be forfeited by the failure of payment, after being one year overdue of any of the quarterly payments. Delay in the payments for a less period subjects the company to the payment of interest at the rate of seven per cent per annum.

None of the cases of forfeiture of the privilege fixed in Article XXVIII shall go into effect until the resolution of the government in which the declaration of forfeiture is made is served in due form, and at least three months in advance, on the company and on the agents of the persons to whom the government may transfer or hypothecate the revenue to which it is entitled by Article III, if said transfer or hypothecation shall have taken place; it being understood that if, after the notification has been given, and during the aforesaid three months, the company, or the interested persons of whom mention has been made, shall satisfy the Government, causing the reason for complaint or forfeiture to disappear, the said declaration shall not be carried into effect.—[Art. VI of Contract of 1876.]

The Government reserves to itself the right to hypothecate, in whole or in part, the revenue, of which mention has been made in Article VI of this contract (except the right of the State of Panama to the annual proportion of \$25,000), before the time at which said revenue is to be paid, and whatever may be hypothecated shall be payable in such a manner as the Government may direct; and the railroad company binds itself, on being notified of any transfer or hypothecation, to accept it and to make payment at the maturity of the instalments to the persons or parties in whose favor the transfer or hypothecation may have been made.—[Art. VIII of Contract of 1876.]

ARTICLE XXIX.

In case of the forfeiture of this privilege from any cause, the ownership and full possession of the railroad, with all its dependencies, appurtenances, and accessories, shall pass to the Republic without the company's having thereby any right to indemnification or remuneration of any kind.

ARTICLE XXX.

The Government of the Republic binds itself to protect and maintain in all their integrity the rights of the company resulting from the present contract, provided the company complies punctually on its part with the duties and obligations which it undertakes, and that the privilege continues in force.

ARTICLE XXXI.

The right which said Republic reserved to itself by the contract of the 15th of April, 1850, to redeem the privilege of the company, being especially hypothecated as an additional security for the loan contracted by the said Republic in London under date of the 1st of October, 1863, it is stipulated that the products from the railroad, which by this contract belong to the Government, remain subsidiarily applicable to the payment of the obligations of the Government of the Republic, in regard to that loan, whether it be to complete the annual installments which the Government is obliged to pay in London on account of the interest and amortization of the capital, or to redeem the bonds of the loan at par, if in 1874 their redemption shall not have been completed.

ARTICLE XXXII.

In consequence of the stipulation in article third, the Government renounces the benefit or participation of three per cent, which by article fifty-five of the primitive contract it had in the net products of the enterprise, and the quota of five per cent which had also been reserved in its favor by article thirty of said contract in the transportation of correspondence, and which quota it was stipulated should not be less than ten thousand dollars annually. The account of these profits shall be liquidated immediately in the terms fixed by article fifty-five up to the day on which the present contract begins to rule and have effect, and the payment of the balance which may result in favor of the Republic shall be made by the company in New York to the order of the Government.

ARTICLE XXXIII.

Questions which may arise between the Government of the Republic and the railroad company concerning the understanding or the fulfillment of this contract, shall be decided by the courts and tribunals of the Colombian Union according to the constitution and laws of the Republic.

Questions that may arise between the Government of the Republic and the railroad company, as to the understanding or the execution of this contract, and of those of 1850 and 1867, to which this one refers, shall be decided without appeal by the federal supreme court of the Colombian Union, without the intervention of any other tribunal.—[Art. VII of Contract of 1876.]

ARTICLE XXXV.

The ninety-nine years of the duration of the privilege conceded by this contract shall be counted from the date on which it may be approved by the Congress.^a

ARTICLE XXXVI.

At the expiration of the term of the privilege, and by the sole fact of its expiration, the Government of the Colombian Union shall be substituted in all the rights of the company, and shall enter immediately into the enjoyment of

^a NOTE.—Which was August 16, 1867.

the line of communication, of all its fixtures, of all its dependencies, and of all its products. The company shall be bound to deliver to the Government, in good order, the roads, the works which compose them, and their dependencies, such as landing and discharging places, offices, machines, and in general whatever movable or immovable objects, whether destined for the especial service of transportation or applicable to any other object connected with the enterprise.

ARTICLE XXXVII.

The present contract contains all the concessions and privileges which the existing Panama Railroad Company has acquired for the future. In virtue of which it is declared, and the parties hereby expressly agree, that at no time can the company claim rights or privileges which are clearly not contained in this contract, unless they may be granted by subsequent acts.

ARTICLE XXXVIII.

The contract of the 15th of April, 1850, approved by the legislative decree of the 4th of June of the same year, is hereby reformed by the terms of the present contract: and extended as it is in thirty-eight articles, it shall be submitted to the approval of the Executive Power of the Republic, and, when obtained, it shall be presented to Congress, the consent of which is required in order that, being enacted into law, it may be carried into effect.^a

AMENDMENTS AGREED UPON BETWEEN THE PANAMA RAILROAD COMPANY AND THE
REPUBLIC OF COLOMBIA, AUGUST 18TH, 1891.

ARTICLE I.

Article twenty of the contract of July 5th, 1867, approved by law No. 46 of the same year, shall read as follows:

From and after July 1st, 1892, Colombian products passing over the Panama Railroad shall pay only half of the rate of freight established by the company for foreign products of the same class.

ARTICLE II.

Salt from the Colombian salt pits of the Atlantic coast intended for the national ports of the Pacific shall be transported by the same railroad company at the following rates:

A quantity not exceeding six millions of kilograms each year, and which shall in no case exceed 1,000 tons per month, at the rate of two dollars (\$2) gold per ton without any deduction. Shipments of the salt referred to that may exceed the quantity above stated shall pay the rate that is established for the other Colombian products in the previous article.

[Translation.]

MODIFICACIONES CONVENIDAS ENTRE LA COMPAÑIA DEL FERROCARRIL DE PANAMÁ Y
LA REPUBLICA DE COLOMBIA. FECHA 18 DE AGOSTO DE 1891.

ARTICULO I.

El artículo 20 del Contrato de 5 de Julio de 1867, aprobado por la ley 46 del mismo año, se modifica modo siguiente:

Desde el 1° de Julio de 1892, los productos colombianos que pasen por el Ferrocarril de Panamá pagarán solamente la mitad de la rata de fletes establecida por la Compañía para los productos extranjeros de la mismo clase.

^a NOTE.—Congress approved August 16, 1867.

ARTICULO II.

Le sal de las salinas colombianas de la Costa del Atlantico que se destine a los puertos nacionales del Pacifico será trasportada por la Compañia del Ferrocarril a las ratas siguientes :

Una cantidad que no exceda de seis millones de kilogramos cada año, y que no pase en ningun caso de mil toneladas mensuales, a la rata de dos pesos (\$2). oro, por tonelada sin deduccion alguna. Los embarques de la sal referida que excedan de la cantidad arriba expresada, pagarán la rata que se fija para los demas productos colombianos en el articulo anterior.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 20, 1905.

The committee met at 10.30 o'clock a. m., Hon. James R. Mann (acting chairman) in the chair.

STATEMENT OF MR. DRAKE—Continued.

Mr. TOWNSEND. You were asked to bring us some information this morning?

Mr. DRAKE. Yes, sir.

Mr. TOWNSEND. Have you done so?

Mr. DRAKE. I have, sir. I was asked to indicate the amounts paid to members of the committee and members of the board of directors, and also the dividends which have been paid to those gentlemen. I submit a statement here, taken from the books, giving all the details in regard to those matters.

The statement referred to is here inserted in the record, as follows:
(Exhibit 15 not furnished.)

Mr. TOWNSEND. Mr. Drake, have you prepared an opinion as to what should be the policy of the Government in continuing the line of steamers in connection with the railroad?

Mr. DRAKE. I have, sir. I have prepared an expression of my opinion upon three questions here, the three questions that have been submitted to me for consideration; one as to the continuance of the steamship line, one as to the advisability of moving the general offices of the company to the Isthmus, and the third as to the advisability of discontinuing the contract with the Pacific Mail Steamship Company. [Reading.]

Up to this moment I feel that I have entirely failed, for various reasons, to get before your committee an intelligent, logical statement of my opinions on three of the most important features of the question before you relative to the policy to be adopted by the United States Government in the operation of the Panama Railroad, of which it has become in fact the principal owner, viz:

1. The proposition to discontinue the operation of the company's steamship line between New York and Colon.

2. The proposition that the general offices of the company in New York be closed and the management and operation of the railroad be entirely transferred to the chief engineer of the canal company on the Isthmus, provision being made to care for its fiscal affairs only in New York.

3. The advisability of continuing the present contract with the Pacific Mail Steamship Company, or of terminating it as now arranged and refusing to enter into exclusive traffic relations with that or any other steamship company on the Pacific coast.

Regarding the first item, viz, the proposition to discontinue the steamship line, I think I can safely assert that the end sought to be obtained by that step, viz, that the line will be replaced by a sufficient amount of tonnage of both foreign and domestic registry which will be attracted to Colon to permanently provide all necessary speedy regular and efficient rates, will not be realized to the satisfaction of any but the cheaply operated foreign lines now seeking to enter the trade to the ultimate exclusion (by reason of lower cost of construction and operation of their ships) of practically all vessels of American registry, as is practically the case at this time with all foreign ports on the Atlantic coast of North and South America, except those now served by the Ward, Red, Clyde, and Porto Rico steamship companies; and some of the business of those American lines is now carried in foreign bottoms.

If we consider the proposition that the Government continue to operate the steamship line, but practically only for its own convenience in the transportation of passengers, mails, baggage, specie, material, and supplies belonging to the canal company or connected with the canal construction at such special reduced rates as would naturally be applied, there can, I believe, be but one result—the operation of the line will be at a loss, instead of a source of revenue. Further, such a course would deprive the various lines it is proposed to favor, now seeking to enter the traffic, of anticipated earnings and make surer the probability that the volume of business would not warrant them in providing for other than a port-of-call service; hence the more lines that enter the business the more certain will be the unfavorable result of their competition to themselves.

If the question of the entire discontinuance of the steamship lines be considered from the standpoint of earnings or revenue for the railroad or the continuance of present control of its own business, I submit that a discontinuance of the line would result in a total loss to the railroad company of all the net earnings of the steamship line, which for 1904 were over \$175,000 and for the past ten years over \$1,125,000 and which may be expected hereafter to be very much increased when the canal construction actually begins. In reaching the above result of earnings I have shown elsewhere in my testimony that the steamship line has been neither unduly favored nor discriminated against.

LOSS OF BUSINESS CONSEQUENT UPON THE ABANDONMENT OF STEAMSHIP LINE.

The Panama Steamship Line furnishes, and has furnished, the only direct and regular means of transportation between New York and the Isthmus, and it is only by furnishing such direct and regular transportation that the company has been enabled to maintain the earnings of the railroad at the figure which they have reached. All other lines running to Colon use that only as a port of call, giving thus a service slow, irregular, and not attractive to shippers.

If this company were to abandon the steamship line there would be no longer such direct and regular service. Various other companies have indicated a readiness to take part in transportation between the United States and Colon, but only by making Colon a port of call. A certain amount of traffic would undoubtedly be carried by such

vessels, but they would be unable to furnish the transportation requisite to maintain the business of the route, which requires a prompt, regular, and trustworthy service, not subject to the delays which inevitably occur where a port is only one of a number at which a vessel calls.

Nor can it be expected that a new direct line between New York and Colon would be established to take the place of the company's line. The lines from the United States making Colon only a port of call could take enough of the business offering to make such a direct line unprofitable. Regular and frequent sailings can not be expected except under the present system. At the present time the United Fruit Company has been making Colon a port of call, at the request of this company, for its New Orleans boats; our object in arranging this being to accommodate the Middle West and relieve a threatened pressure on the facilities of our line. But though we have made favorable arrangements with them they have not been willing to take any freight from Colon to the United States, finding cargo from other ports more profitable.

To secure traffic shippers must be assured that they can rely upon an opportunity to dispatch their goods at regular and reasonably frequent intervals, and that the goods will be forwarded to their destination without undue delay. These things are as important as the rates at which the goods are transported. For the great bulk of profitable traffic low rates will not compensate for uncertainty in transportation, and we have always found it necessary to be vigilant to secure this. Any failure in this respect is immediately reflected in the amount of business seeking the route, which falls with every such failure and rises with every improvement. For example, since the establishment of a weekly instead of a ten-day service in 1899 the total outward-bound business of the steamship line has increased from 53,206 tons in 1896, 53,230 tons in 1897, and 51,814 tons in 1898 to a total of 107,064 tons in 1904; while the homeward business has increased from 24,254 tons in 1896, 31,966 tons in 1897, and 34,462 tons in 1898 to 62,230 tons in 1904. In the same period, and under the same influences, the tonnage to San Francisco rose from 22,561 tons in 1896 to 39,180 tons in 1904; while that from San Francisco to New York rose from 13,096 tons in 1896 to 30,272 tons in 1904.

In the case of the European lines, we have often found it necessary to make use of our ability to ship goods to Europe via New York (to which I shall hereafter refer) in order to overcome difficulties that arose from the fact that none of those lines were ready to furnish the service necessary to obtain and hold the traffic. The same difficulty would arise in the case of lines from the United States, and if this company's line were abandoned there would be no way of meeting it.

By its bills of lading and those which are issued for transportation over the railroad to points beyond, the company reserves the right of forwarding from Colon by such carrier as it should select. While the company has run its own steamship line from New York this provision has been of great value. If freight bound to Europe was not properly and promptly taken care of by the European lines running to Colon, or if rates were not made which would enable this company to secure business profitable to it, the company has been in a position to forward the freight by its own line to New York, and thence to Europe, which has given it control of the situation and enabled it to

draw to the Isthmus much traffic which it would otherwise have lost. While it has very rarely been necessary for the company actually to take the step of forwarding the goods via New York, it has frequently had occasion to threaten to do so, and the possibility that it might take this course has always been sufficient to secure for the railroad from the trans-Atlantic lines such advantages in service and rates as were necessary to draw to it the freight desired.

With the abandonment of the company's own steamship line it would suffer, then, in two ways. It would lose all power of insuring prompt and efficient service by the trans-Atlantic lines and would be left without any adequate connection with New York, while it would be powerless to control such connection as it might be able to secure. The company's experience has been ample to show that a great diminution in the business passing over the Isthmus would necessarily follow. The business between New York and San Francisco would, in my opinion, be nearly if not quite extinguished. Always exposed to severe competition from the transcontinental lines, to which will shortly be added that by the Tehuantepec, Honduras, and Guatemala railroads, the Panama route can hold its business only by furnishing regular, prompt, and efficient service. Nor would it, in my opinion, be possible to obtain a connection on the Pacific if the line from New York to Colon were less efficient and regular than now. It has always been difficult to secure regular transportation between Panama and San Francisco, and if a carrier on that route can not reckon upon prompt and regular service between Colon and New York, it will be impossible probably to induce him to furnish satisfactory service for a business which is not in itself attractive under any circumstances, nor, if such connection could be obtained, would it be possible to secure the business. The bulk of the freight offering at San Francisco for New York requires particularly prompt and regular dispatch. Wine, for example, which is the most important single item in that business, suffers greatly from delay in transportation, and complaints are always made when such delay occurs in respect of it.

In another way this power of forwarding the goods to Europe via New York has greatly affected the net results of the company's operations.

MR. SHACKLEFORD. Would it interrupt you if I asked you a question right there?

MR. DRAKE. No, sir; not at all.

MR. SHACKLEFORD. Is there not a large amount of wine produced in California and shipped to Hamburg by way of the Straits of Magellan, by way of that Hamburg-American Line?

MR. DRAKE. Yes, sir; I believe there is a quantity carried by the Kosmos Line. You can get full statistics of the output of wine, and——

MR. SHACKLEFORD. I just wanted to know, in a general way, whether it is not a fact——

MR. DRAKE. Yes, sir; it is.

MR. SHACKLEFORD. Whether there is not a large amount of wine going through the Straits of Magellan, instead of across the Isthmus?

MR. DRAKE. Yes, sir. A considerable quantity by the Kosmos Line, which operates jointly with the Hamburg-American Line.

MR. SHACKLEFORD. They are not allowed to ship across the Isthmus on the same terms as other lines?

MR. DRAKE. They have been offered the advantage, but have not availed themselves of it up to this time. (Reading:)

It has frequently been the case that European lines running to Colon, seeking freight more profitable to themselves at various other ports of call, have left upon the Isthmus goods which they should have transported upon their own vessels, which have occupied the warehouses and cars of the company, at one time as many as 100 cars filled with goods which those vessels might have taken, being in the yards of the company at Colon. By the threat of transporting these goods to Europe via New York the company has always been able to compel the trans-Atlantic carriers to furnish adequate service, and thus has saved itself from the great expense which such an accumulation of freight involves. This advantage the company would of course lose if it abandoned its steamship line.

TRANSPORTATION OF GOODS FOR THE COMPANY.

The net earnings and gross receipts of the steamship lines, as estimated above, do not really indicate the whole direct advantage which the company obtains from its ownership of the line. The very large amount of supplies and stores for itself and its employees, which the company is continually transporting from New York to Colon, has been carried upon its steamers at a rate very much lower than that at which other freight has been carried. This advantage would of course disappear with the abandonment of the line, and should be taken into account in estimating its effect upon the revenues of the company. In the year 1904, for example, there were transported by the steamship line 5,000 tons of supplies for the railroad company and its employees, at a price of \$5 per long ton, amounting to \$25,000. It is impossible, exactly, to estimate what the additional amount of freight would have been had this business been carried for outside shippers, the rates varying with the character of the goods, and goods not for the company being taken on a measurement basis when that is more favorable to the ship. I think that, on a conservative estimate, this freight of \$25,000 would have to be doubled in cost to the company if the goods were moved by an outside carrier.

The loss to the company from the direct earnings of the steamship line, with the additional loss from higher rates on supplies, alone can not be estimated with accuracy. The sum of these, may be, I think, properly set at from \$225,000 to \$250,000 per annum, but will be greater as business to the Isthmus increases.

The loss in other ways will, in my opinion, be far greater in amount, but data are lacking to estimate it properly, for nobody can say how much the railroad will suffer from the loss of all control over connecting carriers, and of all powers to maintain suitable connections with New York, which will follow the abandonment of the line. The San Francisco business will, I am quite clear, be wholly, or almost wholly, lost, and the earnings of the railroad alone from this business amounted in 1904 to \$106,951 on west-bound business, and \$67,293.62 on east-bound business. Concerning the trans-Atlantic business it is impossible to speak except generally. The increasing growth of traffic between Europe and the west coast, via the Straits of Magellan will render it easier for this trade to take another route, and it has been our experience that only our ability to control the situation through our steamship line has enabled us to keep this business in a satisfactory condition. It is to us very clear that to surrender the various advantages of this line would imperil the ability of the railroad to maintain itself and pay its fixed charges, which latter now, and will for the next twenty years, amount to \$500,000 per annum.

That is all I have to say on that first item. With respect to the second item, regarding the advisability of transferring the company's general office to the Isthmus—I submit, that the respective terminals of the company's through line are New York and Panama, and it follows that the continuance of the company's general office in New York, the commercial metropolis of the Western Hemisphere, is of paramount necessity. The progressive development of its traffic and revenue can justly be attributed to the location of headquarters in New York. As at present conducted, the company's business requires and secures the faithful, intelligent, and uninterrupted services of every employee regularly attached to that office.

The fiscal business of the company, which involves collection of gross earnings, the payment of expenses of every character, the redemption and cancellation of bonds, the payment of interest charges and dividends, the payment of freight balances to agencies of connecting lines, the drawing of bills of exchange, the settlement of claims for loss and damage to cargo and property, and the handling of gold and silver funds, together with the deposit and withdrawal of money with banks and trust companies, is conducted at the company's New York office with greater precaution, security, and less expense than would result from the employment of outside agents. Under the direction and control of the executive officers of the company traffic agreements are formulated and carried out from New York and the resulting benefits in gross earnings from connection with twelve important steamship lines in this country and abroad collected and deposited in bank.

The character and quantity of material and supplies required for the construction, maintenance, and operation of the company's railroad and steamship lines is determined and proper measures taken to insure its purchasing and forwarding under the best possible conditions.

The skilled labor required at the Isthmus is sought and engaged in New York under the most careful scrutiny as to character and ability, and the high character of the company's present staff of employees attests the fact.

The appointment of agents of every character—that is, special agents, hiring agents, traveling agents, and legal representatives—for the company at distant points is passed upon and settled in New York.

The bonding of all the company's subordinate officials who have the custody or handling of its finances is effected in New York.

The insurance upon ship's property and cargo at home and abroad belonging to or in care of the company is effected in New York.

The charter of outside vessels to transport the company's bulky material and supplies is effected in New York.

It is, besides, a most noteworthy fact that 50 per cent of the railroad company's through traffic originates or terminates in New York, and the collection of 40 per cent of the total freight earnings of the company and of its connecting lines is made there by this company and settlements effected with the resident agents, and at the risk of repeating myself somewhat I beg you to note that the total gross earnings of the company per annum of almost three millions of dollars is made in New York, as is the disbursement of the total of two and one quarter millions of dollars of expenses and fixed charges, without the loss or misappropriation of one dollar.

I think a careful review of the situation should convince the most earnest advocate of the change that it is inadvisable and against the best interests of the company, and that none of the business referred to could be performed as well (if it could be done at all) at the Isthmus as in New York.

From a traffic standpoint I submit that to close the New York office and transfer the management and operation of the railroad to the Isthmus and attempt to regulate the company's traffic relations at that point would be equivalent to a complete surrender of the company's control of its business into the hands of rival or competing interests,

for however simple its accomplishment may appear, a slight study will prove its impracticability. With an aggregate traffic of 400,000 tons carried to the Isthmus by 12 important steamship lines for transportation over the railroad in 1904, the handling of the attendant cargo papers, the verification of inserted weights, measurements, and rates, the certification to the treasurer of the moneys due to and by the company, together with the correspondence and accounting incident thereto, at present requires the service of a clerical force such as is now engaged in New York, trained and competent, faithfully and constantly employed, and not overpaid.

Double the force would be required at the Isthmus and the work could not be as well and speedily accomplished. For climatic and sanitary conditions there make necessary the allowance of vacations of two months with leave of absence pay to Americans and Europeans engaged there in order to insure good clerical work, and the rates of pay to such employees are 25 to 50 per cent higher than in New York. Again, it is not to be expected that the traffic interests of the railroad would be as carefully safeguarded by any official whose chief purpose is to construct the canal, and whose tendency, therefore, would be to favor that work, as by officials especially employed to facilitate the safe and speedy transportation of cargo, and instructed to cooperate in every possible way with canal interests and work.

Regarding the proposition that has been made to open the terminals of the company at both ends to all steamship lines on both oceans and establish a low transfer tariff over the railroad at uniform rates to all, I submit that the attempt was made by the French Canal Company, which began by applying a uniform rate to all cargo that originated in Mexico and Central America, with the result that the earnings of the railroad were seriously reduced while rates previously established were not reduced by the connecting lines because the traffic would stand them, and those lines quarreled over the division of the reduction of its proportion allowed by the railroad. Years of effort were required to restore the railroad company to its previous status as to division of rates after the attempt had been abandoned. There is no reason to suppose that a better outcome could be secured now.

To conclude on this subject, I submit my opinion that only so long as any shares of the company's stock was held by others than the United States Government will the necessity continue for the existence of a board of directors with subcommittees and officials called for by the company's articles of incorporation, as the company's entire business can be conducted by a competent chief executive responsible to the owner (the United States Government) with subordinates to head the several departments, as at present.

Regarding the third item, viz, "The advisability of continuing the present contract with the Pacific Mail Steamship Company, or of terminating it as now arranged, etc.," I can not do better than submit a letter on the subject which was prepared after a most careful study of the company's experience, which letter was unanimously approved by the company's board of directors. Its conclusions are unanswerable if the company's policy is to be governed by a purpose to continue the development of its business on a profitable basis.

The questions now presented have two aspects:

First, as to the business operation and practical results of the contract between this company and the Pacific Mail Steamship Company; and, second, as to the legality of the contract.

(1) AS TO THE OPERATION AND RESULTS.

The Panama Railroad Company is not merely a railroad corporation. Its charter powers extend to the operation of both a railroad and steamships. It is in the exercise of this express power that the corporation has from time to time, during the fifty years of its life, operated its own steamship lines on both sides of the Isthmus, in connection with the railroad, thus making a continuous line and service.

Prior to 1872 the Panama Railroad Company had operated its own steamship line between Panama and Central America and Mexico, but this proved unprofitable. Traffic between Panama and San Francisco was carried on in connection with the Pacific Mail Steamship Company.

In that year a contract was entered into with the Pacific Mail Steamship Company for interchange of business between Panama and San Francisco, and intermediate points in Central America and Mexico. This contract remained in force until 1876.

In the latter year this company terminated the contract and established its own Pacific line between Panama and San Francisco, maintaining it until February, 1878.

The result of operation of this Pacific line by the railroad company was very unsatisfactory and disadvantageous to it. It was found impossible to secure any other or more regular reliable cocarrier than the Pacific Mail Company.

This led to the making, in 1878, of an exclusive contract with the Pacific Mail; a contract which continued until February, 1893. At that time this company demanded a more favorable division of rates, and the Pacific Mail refusing to accede thereto, the railroad company attempted to terminate the contract by declaring it at an end. The Pacific Mail insisted, however, that certain prior contracts with the railroad company entitled it to a continuance of the agreement so far as concerned the traffic to and from Central American and Mexican ports, and brought suit in the supreme court of the State of New York to establish its contention. The court adjudged the contract in force and enjoined the railroad company from disregarding it, either by establishing its own line or by making other connections in contravention of it.

During the period in which the rights of the railroad company and the Pacific Mail, in respect of Central American and Mexican traffic, were thus in litigation, it became necessary to deal with the traffic between Panama and United States ports on the Pacific not affected by this controversy.

At that time the merchants of the Pacific coast States considered that the transcontinental railroads were abusing their powers and exacting unreasonable rates: bitter hostilities existed between the transcontinental railroads and the shippers, and the Panama Railroad Company was besought by the merchants and shippers to cooperate with them in the establishment of a line of steamers running between San Francisco and Panama, to furnish competitive outlet for their traffic. The railroad company heartily supported the Pacific coast. Public meetings were held in California, and great interest was manifested in the press and commercial community respecting this measure, which resulted in the organization, by the merchants of San Francisco and the Pacific coast, of a corporation entitled the North American Navigation Company, with a cash capital of \$200,000, to itself operate a line of steamers in connection with the Panama Railroad Company, under an exclusive through-billing agreement. To encourage this competition with the transcontinental railroads, and to foster its own business, the railroad company made an exceedingly favorable contract with the North American Navigation Company, exclusive and through billing, substantially of the same character as that now existing with the Pacific Mail.

The operations of the North American Navigation Company, however, were disastrous, and resulted in a bankruptcy of that company in May, 1894, with a total loss of the investment of the merchant stockholders, and an indebtedness by it to this company for material and supplies which has never been liquidated.

The financial loss inflicted upon the merchants of San Francisco in their desire to maintain an independent steamship line was very large, in addition to the capital invested, notwithstanding that there was not the slightest restriction placed upon the number of sailings their ships might make nor upon the quantity of cargo they might handle.

The result of this operation was equally unfortunate to the railroad company, whose losses can be noted from the financial statement which we will presently set forth.

Upon the failure of the North American Navigation Company and the abandonment of the competition by the Pacific coast merchants, the Panama Railroad Company was forced to take up and carry on the line with chartered vessels, but at a heavy loss, which it endured until December, 1895, largely from a public spirit and to support the merchants who had lost so heavily in their contest with the powerful transcontinental railroads. In December, 1895, an adjustment was reached with the Pacific Mail concerning the legal controversies which had been pending, and a new contract was made, substantially the same as the one now existing.

The term of this contract was five years, and it proved reasonably profitable to both parties.

At its expiration in 1900, a demand for what is called the "open-door policy" at Panama arose at the instance of two foreign lines who were already cocarriers with the company in other traffic. It was these lines which contended that by the concession from Colombia the company was bound to accord equal privileges to all responsible lines.

After prolonged consideration the Panama Railroad Company determined to give the "open-door" plan a trial, and it publicly announced the adoption of that policy. All lines (including the Pacific Mail) were accordingly invited to participate. The Pacific Mail declined to participate or make any contract upon that basis. As a result all relations between that company and this corporation were again severed.

The two foreign companies (at whose urgent demand the policy had been adopted) having only vessels of foreign registry, and refusing to charter or construct those of American registry, were unable to extend their service, as far as traffic with this company was concerned, beyond Mexican ports. This company made every possible effort, but without success, to secure other lines of American registry to take up and operate a line between San Francisco and Panama. Efforts also to arouse interest in the Pacific coast merchants to again establish such a line met with no satisfactory response, although this company offered to give them exclusive control of business to and from San Francisco and United States ports beyond, and equal participation as well in the Central American and Mexican business, which, by the compromise agreement with the Pacific Mail, this company had again become possessed of.

Again this company was compelled in self-defense to open and operate a line of its own between San Francisco and Panama in connection with its Atlantic line and Isthmian railroad. As in every previous instance, the operation of that line proved a heavy loss to this company.

At this juncture the situation of the Panama Railroad Company was most unfortunate. The San Francisco-Panama line was operating at a heavy loss, as were also the said two foreign lines running to Central America and Mexico. The service of these foreign lines was irregular and inefficient, and perhaps unavoidably so; the patronage of the Panama route was being diverted to other channels, and the good will and business of the Panama route was being ruined.

MR. TOWNSEND. How do you figure out that you could operate a line of steamships on the Atlantic successfully, but can not do it on the other side?

MR. DRAKE. Because of the long haul and because there is not business enough on the route for more than one steamship line. That is the crux of the situation. There is just enough business for one well-managed steamship line, provided it has both the foreign and domestic business in connection with the Panama Railroad Company, on the Pacific. If that door is opened and open competition results, the consequence is inevitable.

MR. SHACKLEFORD. Why could you not, by making a proper rate, capture of that traffic that I spoke of that goes through the Straits of Magellan?

MR. DRAKE. That is comparatively small and does not amount to enough to make any appreciable difference. Almost all of that is moved by the Southern Pacific and our line. Considerable of it is brought around to New York by sailing vessels that have arrived at San Francisco with coal and are looking for a cargo back, and there

is one large shipper there who habitually charters vessels, when he can do so advantageously, and loads the vessel there for New York.

Mr. SHACKLEFORD. I speak of that which comes by the Hamburg line around by the Straits of Magellen.

Mr. DRAKE. That amount is very small, and it would not make an appreciable difference.

Mr. MANN. Do you explain in your paper there why you could not operate a steamship line profitably on the Pacific coast, with the Panama Railroad, while the Pacific Mail Company could continue to operate without the railroad?

Mr. DRAKE. No, sir: I could not explain that. I could not justify it. I think I make it plain here that losses would inevitably result. The distance is 3,500 miles from San Francisco to Panama. The Pacific Mail has established stations all along that littoral, and can handle the business to the disadvantage of any competing line. We would have to go to the expense of developing just such agencies, and the result of competition there must be disastrous. The operation of a steamship line is different from the operation of a railroad. The competition is unlimited, and the result is, almost inevitably, the survival of the fittest; and unfortunately the foreign lines at this time operated are the fittest to survive.

Mr. MANN. Have the Pacific Mail Steamship Company refused to carry freight through your company?

Mr. DRAKE. I said they had.

Mr. MANN. I say at those periods, if they had refused to carry freight, and thereby run at a loss, how long do you think they would be able to continue that?

Mr. DRAKE. That I can not say.

Mr. MANN. Would that be controlled by the fact that they could afford to run the Pacific Mail at a loss in order to keep the freight rate up for the Southern Pacific and Union Pacific Railways?

Mr. DRAKE. I can imagine that if the connection with the railroad line were entirely severed that line would be run for the interport trade, in order to operate a certain tonnage which they have now which is not fit now for anything else.

Mr. MANN. You say that it would be in competition with foreign lines?

Mr. DRAKE. I think so.

Mr. MANN. Then the only line which is now operated so as to carry freight to San Francisco by means of the Panama Railroad Company could be continued in order to collect the higher freight rates that would result to the transcontinental roads?

Mr. DRAKE. I think I make that plain. There is nothing they would like better. You understand, they did not go into that contract with us out of regard for us. They went into it so as to operate that line on the coast and secure and continue the business they had with foreign points, via the Isthmus. (Reading:)

Experience had proven that there was not business enough for more than one line and that no steamship company could afford to operate with American vessels on the long route between San Francisco and Panama unless having an exclusive agreement in the carrying of cargo to and from both domestic and foreign ports in that territory in connection with the Isthmus route.

So ruinous and so incontrovertible were these conditions, that the two foreign lines who had urged the "open-door" policy were forced to recognize that they themselves could not profitably continue operations under that policy. Accord-

ingly this company, now firmly convinced of the wisdom of its previous policy, renewed negotiations with the Pacific Mail Steamship Company, and concluded with it the contract of June, 1902. The said two foreign companies withdrew from the Central American and Mexican traffic, which had proved so unprofitable to them and so disappointing to this company.

The contract with the Pacific Mail has continued in satisfactory operation to the present time. Under it the sailings have been regular, the service reliable, and the good will of the Panama route has become reestablished. Under its provisions the Panama Railroad Company secures more than 50 per cent of the through rates and the operations have proved profitable.

The results of these successive policies of operating under an exclusive contract with the Pacific Mail or without it are conclusively reflected by the net earnings. These results are as follows and speak for themselves:

	Year.	Loss.	Profit.
When operating with the Pacific Mail.....	1891	-----	\$323,800
Do.....	1892	-----	182,816
No contract with Pacific Mail; period of North American Navigation Co. operation.....	1893	\$233,699	-----
North American Navigation Co. abandoned service; continued by Panama Railroad; no contract with Pacific Mail.....	1894	80,776	-----
Panama Railroad operating line; no contract with Pacific Mail.....	1895	-----	62,943
Contract with Pacific Mail.....	1896	-----	545,684
Do.....	1897	-----	400,873
Do.....	1898	-----	266,746
Do.....	1899	-----	295,231
Do.....	1900	-----	446,764
South Pacific carriers (two foreign lines) operating north of Panama; no contract with Pacific Mail; earnings reduced.....	1901	-----	259,590
Same conditions as 1901 for first six months and thereafter; contract with Pacific Mail.....	1902	-----	295,384
Contract with Pacific Mail.....	1903	-----	401,068
First six months; contract with Pacific Mail (six months only).....	1904	-----	311,000

Our business between Panama and San Francisco and intermediate points is 53 per cent of the total business of the Panama Railroad Company, on the basis of last year's traffic, and it is this (the bulk of the company's business) that is involved in the contract with the Pacific Mail, and from which fully 50 per cent of the annual net profits of the company are derived.

The transcontinental railroads naturally seek to monopolize the business of the Pacific coast, and the history of their dealings with this subject is notorious. Unless the Isthmus route is maintained as a competitor to them, the whole Pacific coast again comes under the thralldom of the transcontinental railroads.

MR. SHACKLEFORD. Let me interrupt you there. Does not the Pacific Mail belong to some of the transcontinental lines?

MR. DRAKE. It belongs to the Union Pacific through its ownership of the Southern Pacific. They control it. They own a little more than a majority of the stock.

MR. SHACKLEFORD. It is under their control?

MR. DRAKE. Yes, sir [reading].

The only escape of the Pacific States from their monopoly lies in the maintenance of a competitive route via the Isthmus.

To afford the Pacific coast this outlet, the Panama Railroad Company maintains rates from 20 to 30 per cent less than the transcontinental railroads, and also competes with the American-Hawaiian Steamship Company, which operates via Magellan.

It will readily be seen that nothing would afford the transcontinental railroads greater satisfaction than to witness this company forced out of competition with them, through the abrogation of the Pacific Mail contract, by which a regular, efficient, and satisfactory service with American vessels is maintained between San Francisco and Panama and intermediate points, and thus be compelled to depend upon uncertain operation of new and so-called "independent lines," lacking in experience, suitable vessels, capital, and business.

If, therefore, the company terminates the Pacific Mail contract, it must be prepared to resume operations itself, or to accord exclusive through billing privileges to some other single line, since on that basis only can any line be

maintained under existing conditions of traffic. To withdraw from the business is to surrender the Pacific coast to the tender mercies of the transcontinental railroads, and to render an inefficient and uncertain service is likewise to play into their hands.

The consequence of either policy would be a serious loss to the railroad company, independent of its effect on the public.

There is not one jot of evidence that any individual or group of individuals in any part of the United States is prepared to establish a steamship line to replace the Pacific Mail service between San Francisco and Panama, and there is not a scintilla of proof that there is at present business enough for more than one line. There would be nothing gained, so far as this company is concerned, in the mere substitution of one line for another; and experience has demonstrated that there is not yet enough business to maintain more than one line.

Bearing on the difficulty of securing the establishment of any new line, we need hardly remind you that the San Francisco-Panama line, as far as through traffic with the Panama Railroad is concerned, can only be maintained by vessels of American registry, because of the regulations of the United States Government regarding the carriage of cargo between United States ports. Sufficient business can not be secured with which to profitably maintain a steamship line catering exclusively to this long-haul San Francisco traffic; and if a line is deprived (by competition with vessels of foreign registry) of the profit on the short-haul Central American and Mexican business, the consequent loss will sooner or later force it to withdraw altogether. In other words, our experience for the past thirty years proves that there is not sufficient business to sustain a long-haul service from San Francisco unless the profitable short-haul business with Central America and Mexico can also be secured by the same line.

Another equally practical phase of the subject invites consideration, namely: The directors of the company have authorized the construction of two, if not three, additional steamers for the Atlantic service, and bids are about to be invited. The Pacific coast business in 1903 was 41 per cent of the total tonnage of the company's Atlantic steamship line, and the construction of these steamers is justified by that fact. But if the Pacific Mail contract is now terminated, and the Pacific coast business lost or demoralized, there is no necessity for the construction at this time of additional vessels. Moreover, in that event the company's ability to pay for them would be seriously jeopardized by the consequent loss of business.

It may be well to note that after years of effort arrangements have been established, not only with the Pacific Mail, but with 10 connecting steamship lines on the Atlantic Ocean, as well as with connecting steamship lines on the Pacific Ocean, by which uniform classifications of cargo, and relatively uniform bills of lading, have been adopted.

In view, therefore, of the fact, which has become demonstrated, that there is not at this time enough business for more than one Pacific line; that in order to secure a profitable and reliable connection, exclusive through billing arrangements must be made with a single Pacific Line; the losses which have invariably transpired when the company has operated its own Pacific line the failure of independent lines to maintain the service; the profitableness to this company of the present contract upon which more than half of the net earnings and dividends of the company depend; that if the Pacific Mail contract be now terminated no other equally satisfactory connection is practicable, and that if such contract be now terminated the company will be compelled either to itself maintain the line at a loss, as heretofore, or else abandon the line and thus deprive the Pacific coast of competition with the transcontinental lines; the board of directors of the company consider that it is not to the interest of the corporation to terminate the existing contract with the Pacific Mail Steamship Company before it is prepared to itself operate the line or is assured equally profitable, efficient, and satisfactory traffic connections.

We now turn to the second aspect of the subject—the legality of the contract.

We consider the contract entirely legal and enforceable. The decision of the supreme court at Bogota did not at all concern the validity of the contract between this company and the Pacific Mail; it concerned only the interpretation of the concession granted by Colombia to the Panama Railroad Company. It was contended that the railroad company was bound by the terms of that concession to grant through-billing provisions equally to all cocarriers. The decision did not deal with this point directly, and only held that rates over the railroad (but not over the steamship line) must be the same to all persons, whether they were proportions of through rates or were fixed by the company's regular

tariff. We feel justified, however, in referring to the state of affairs in Colombia at the time the decision was rendered and to the bitter hostility then manifested by the authorities and people of that nation toward the United States and the canal and railroad companies. This company paid no regard to the decision, which it considered unsound and unwarranted. The Colombian courts nor even the complainants never sought to enforce it or carry it out; but, at any rate, it related to the interpretation of the concession, and did not concern the validity of the Pacific Mail contract.

The present Pacific Mail contract, with similar ones made by the company, have been in operation for two generations, and no one has ever contested their validity in any court of law or equity, even under the most intense competition of the transcontinental lines, and even under the disappointment of other carriers demanding similar privileges from us. On the contrary, the supreme court of New York, in the case mentioned in this letter, recognized the validity of the contract by decreeing that the company must continue it, and by enjoining the company against violating it.

But it may aid you if we still further enlarge upon this point:

The Panama Railroad Company was created by special charter granted by the legislature of the State of New York, April 7, 1849, with plenary powers for the construction and operation of a railroad across the Isthmus of Panama, and of steamship lines in connection therewith.

The company accordingly established, and has maintained, a continuous single route between New York and San Francisco and intermediate points, made up by the Atlantic line, between New York and Colon; the railroad line, between Colon and Panama; and the Pacific line, between Panama and San Francisco. It is a single line, performing a continuous service between the eastern and western coasts of the United States. No part of this line is parallel with the other; no part is competitive with the other. No one can question the right of the company to itself own and operate such line; and we are not aware of any principle of law or public policy which prohibits the railroad company from carrying out by contract with others that which it may lawfully do itself. Nor is there any principle of public policy which prohibits, either within or without the United States, two transportation lines, neither parallel nor competing, which connect and form a continuous line, from entering into a contract for the interchange of traffic and division of rates, or making such contract exclusive as to each other.

Mr. MANN. Do you know of any such contract in this country on any railroad? Have you ever heard of any such contract?

Mr. DRAKE. No, sir; I do not recall one for the moment. That is what I claim for the Panama business—that it is unique; that it is different from any other business in the world.

Mr. MANN. That is the reason I asked you if you knew of any such contract in the United States.

Mr. DRAKE (reading). "Such agreements are common in the United States, as in other countries." I do not recall any, as I say, sir.

Mr. MANN. There are none such in existence.

Mr. DRAKE (reading).

Such agreements are common in the United States, as in other countries. It has been even held that under the interstate-commerce law a company which has made a special agreement for through billing and joint rates with a connecting company can not be compelled to make a similar agreement with other connecting carriers and does not violate the law by making such an exclusive agreement.

If there be any principle of public policy involved, it would seem rather that it should be invoked to support the Panama route and the existing contracts, for the Panama Railroad furnished to an important section of the United States the only protection which competition can give it against transcontinental railroads. The Panama Railroad competes with the strongest monopoly in the transportation world. Should such protection and competition be withdrawn, or be impaired by spasmodic, unreliable, uncertain service, no greater misfortune could occur to the Pacific coast.

That covers the expression of my opinion on those three topics. Now, in connection with this subject, I would like to lay before you

the formal notice of termination of the contract with the Pacific Mail Steamship Company, which was served on that company on January 12-13, 1904.

The document referred to is here inserted in the record as follows:

JANUARY 12, 1905.

The PACIFIC MAIL STEAMSHIP COMPANY, *New York*.

GENTLEMEN: Whereas by article 21 of the traffic agreement entered into between the Panama Railroad Company and the Pacific Mail Steamship Company, dated June 11, 1902, the duration of said traffic agreement is made subject to the provisions of a contemporaneous agreement between said parties thereto of even date therewith: and

Whereas by article 4 of said contemporaneous agreement known as "the supplemental contract," it is provided and agreed "that if at any time during the continuance of said traffic agreement a majority of the shares of the railroad company or its railroad property shall be purchased or acquired by the United States of America, or by any person or persons representing it, or acting in its behalf, then either party hereto may give notice in writing to the other of its intention to terminate said traffic agreement, and at the expiration of six months from the giving of such notice the said traffic agreement, and the previous articles of this agreement shall terminate, come to an end, and be utterly null and void thenceforth, anything in said traffic agreement or herein contained to the contrary notwithstanding:" and

Whereas a majority of the shares of the said Panama Railroad Company has been purchased by the United States of America, and

Whereas at a meeting of the board of directors of the Panama Railroad Company duly called and held on this 12th day of January, 1905, the notice and action herein contained were duly authorized to be given and taken:

Now, therefore, the Panama Railroad Company hereby gives notice to you, the Pacific Mail Steamship Company, of its intention to terminate said traffic agreement, and that at the expiration of six months from the giving of this notice, the said traffic agreement, and articles first, second and third of said supplemental agreement will terminate, come to an end, and be utterly null and void, anything in either of said agreements contained to the contrary notwithstanding.

Dated New York, January 12, 1905.

PANAMA RAILROAD COMPANY,
By J. EDWARD SIMMONS, *President*,
E. A. DRAKE, *Secretary*.

Attest:

Mr. MANN. If the Pacific coast trade will support but one steamship line and the Pacific Mail Line has practical control of the trade, or at least the best chance to control the trade, why is it that the Pacific Mail Line is so afraid of competition that it refuses to do business with you unless it has an exclusive contract?

Mr. DRAKE. Because that business is conducted on such a narrow margin of profit. There is so little earning.

Mr. MANN. Why could they not still keep everybody else out if there was only one line there? What are they afraid of, tramp steamers?

Mr. DRAKE. No, sir; regular lines connecting at Panama with our road.

Mr. MANN. Nobody could anticipate what tramp steamers might do.

Mr. DRAKE. They are afraid of what might be possible if the door were thrown open. If the door were opened to another line, the business would be divided and there would be a loss to both of them.

Mr. MANN. And then the other line would not continue in business, would it?

Mr. DRAKE. That is exactly the contingency that I have suggested.

Mr. MANN. What makes you think that another line would start

in business when they knew in advance that there was only business enough for one line?

MR. DRAKE. I know there are several deluded parties who are heard from frequently on that subject who have stated that they would enter the coastwise and foreign business if they could secure connection at Panama. I do not believe it to be true. Even if they entered into competition, as they would be obliged to, with the Pacific Mail Steamship Company in foreign traffic alone on the coast and secured the coastwise traffic to the exclusion of the Pacific Mail Steamship Company it would result in loss to both, and it would result in the ultimate withdrawal of the new line and the consolidation of the Pacific Mail's control. We claim that we have secured the full benefit of connection with the Pacific Mail Steamship Company.

MR. MANN. What would be the probable annual expense of operating such a line of steamers as is operated by the Pacific Mail Company now?

MR. DRAKE. I can not tell you, because eight or ten vessels are now operated by the Pacific Mail Steamship Company, and the result would be very materially affected if high-grade, modern-built ships were employed that could be operated regularly and speedily, and by reason of their capacity, at a low cost.

MR. MANN. We believe that you are thoroughly sincere about this matter, Mr. Drake, and that you believe that the Panama Railroad Company is not controlled by the transcontinental railroads. I want to ask you this question: In your judgment, is the refusal of the Pacific Mail Steamship Line to deal with you when they have not an exclusive contract actuated by their fear of ocean competition or fear of competition with the transcontinental railroads?

MR. DRAKE. I think it is actuated entirely by their thorough familiarity with the fact that if they do not have an exclusive contract with us they can not maintain the line except at a loss. They lost \$375,000 as a result of competition in the first year after severance of their connection with us.

MR. MANN. Do you think that refusal is actuated by fear or by the fact that the control of the steamship line is held by the Southern Pacific Railroad and the Union Pacific Railroad?

MR. DRAKE. If it is really because of such control, I have no knowledge of it; nor do I believe it to be for other reason than a determination not to repeat their previous experiences.

MR. MANN. Do you think that fear is increased at all by that fact?

MR. DRAKE. No, sir.

MR. MANN. Do you think that the fact that the steamship line is controlled by the transcontinental railroads has nothing to do with the refusal of the Pacific Mail Line to handle freight in connection with you unless they have an exclusive contract?

MR. DRAKE. I think I can properly answer that question by repeating the utterances made by the officials of that company to the effect that they will not operate that line at an assured loss; that they will not lose any more money by operating that line in competition with other lines.

MR. MANN. Their own statements and conduct would indicate that they were not anxious to operate it unless they had an exclusive contract.

Mr. DRAKE. They absolutely decline it, and give what appears to us to be a good reason. They severed the connection. They have discontinued it in the past.

Mr. MANN. Do you have rate sheets?

Mr. DRAKE. Yes, sir; we have the traffic manager here.

Mr. MANN. Are those rate sheets published?

Mr. DRAKE. Yes, sir; they are published.

Mr. MANN. In what form?

Mr. DRAKE. I am familiar with them, of course. They are published in the form of printed tariffs covering all the sections of our route.

Mr. MANN. Can we have some of those?

Mr. DRAKE. Yes, sir; every tariff we issue can be duplicated.

Mr. MANN. And you have classifications?

Mr. DRAKE. Yes, sir; I stated that we fortunately had arrived at an understanding with all of our connecting lines and have established uniform classifications, respectively, for points south of Panama and for points north of Panama. That is a large step forward in commerce, whether we continue in it or not.

Mr. MANN. Will you furnish us copies of those?

Mr. DRAKE. Yes, sir.

Mr. MANN. I wish you would.

Mr. DRAKE. Yes, sir.

Mr. STEVENS. Do you understand that there will be much increase of traffic from the Pacific coast to the Isthmus by reason of the construction of the canal?

Mr. DRAKE. It is anticipated that there will be some increase, but not in the shape of products.

Mr. STEVENS. It will be mostly in lumber, and things like that, needed for the construction of the canal?

Mr. DRAKE. Yes, sir.

Mr. STEVENS. Is there not always a constant increase of traffic from the Mexican ports up and down the Pacific coast?

Mr. DRAKE. No, sir; there is a slight increase, but the ports are few and the coast is inaccessible. I might account for that by saying that the entire Pacific coast littoral now supports but 5 million people, and while it may be capable of supporting 100 million people its development is very slow.

Mr. STEVENS. Are there not now two or three lines of railroads in Mexico which are now seeking the Mexican Pacific ports?

Mr. DRAKE. It is quite true that there is one, the Tehuantepec road, which is creating ports?

Mr. STEVENS. Yes; then there is the Mexican Central and the Mexican National, and that makes three lines?

Mr. DRAKE. Yes, sir.

Mr. STEVENS. Will that not make considerable increase of traffic to the Mexican ports?

Mr. DRAKE. It should; yes, sir; that is for the railroads.

Mr. STEVENS. Do not the railroads bring traffic to ports that seek water transportation?

Mr. DRAKE. It is a general fact that the increase of facilities results in an increase of business.

Mr. STEVENS. It always works that way.

Mr. DRAKE. Yes, sir; but there is a difference in this case. The coast is a very inaccessible one, and the handling of traffic is done through ports that are accessible. Traffic will travel up and down the interior to get to ports where it can be handled most readily.

Mr. STEVENS. Is it not true that there will be an increase of traffic that must seek the water from Mexican ports?

Mr. DRAKE. Yes, sir; I think so, in years.

Mr. STEVENS. Now, from the increased traffic from these various causes, will there not be some steamship line or lines operated between the Pacific ports and the Isthmus?

Mr. DRAKE. I should think so, naturally. But I would like to say to you that I think that will not come about during the period of the canal construction. I do not think it will result during the next five or six years.

Mr. STEVENS. You think, then, that if the Pacific Mail ceased to operate its steamers there would be no steamship line there?

Mr. DRAKE. I do not think that. There are two foreign lines that are operating in connection with us to and from south of Panama, and they have again offered to extend their service.

Mr. STEVENS. There will be some steamship carriers?

Mr. DRAKE. Yes, sir. They would simply extend their itinerary up the coast, whether it was profitable or not.

Mr. STEVENS. If there be some steamship connection with the Pacific ports and Panama, so that it is possible to have some through bill of lading or coastwise business, does not that—

Mr. DRAKE. The foreign lines could not through-bill in the "coastwise" traffic, but could do so in traffic to and from Mexican and Central American points, as they are now doing south of Panama in connection with us.

Mr. STEVENS. Well, would there not be connections which would give a through bill of lading to American lines for coastwise business?

Mr. DRAKE. I do not think there would be any American line that would enter that traffic alone, because the rates obtainable would be unremunerative. That was the reason why the operation of just such a line was disastrous for us and to North American Navigation Company, and there is no reason for any company to expect a profit from the rate that would be obtainable between San Francisco to Panama.

Mr. STEVENS. That is what I was trying to get at. Has not the course of business somewhat changed by reason of the construction of the canal, and by reason of the construction of these additional railroad lines in Mexico?

Mr. DRAKE. Not yet. None of them of have been realized. It is all prospective.

Mr. STEVENS. Yes; but the canal will be constructed, and those railroads are being constructed, and large amounts of material must be moved.

Mr. DRAKE. But the railroads have been in process of construction for years. They are approaching completion. There are serious difficulties in the way of actual completion of those roads, and none of those difficulties have been effectually reduced.

Mr. ESCH. The Tehauntepec road is national?

Mr. DRAKE. The Panama Railroad Company need have no apprehension of that competition except and unless the Panama route be

throttled and closed, because the Tehuantepec road is a line with heavy grades and it is 173 miles long. Prominent foreign contractors have a contract with the Mexican Government to complete the terminals, and they have had it for years. Twice within the last ten years the railroad has been reironed with light rails, and they have attempted occasionally to transport some through cargo, and we have heard of it, and that is the last that we have heard of it. It is a national enterprise. I am not trying to belittle it. It could only be stimulated into life in case the Panama Railroad was throttled; that is, the railroad might be devoted entirely to the construction of the canal. Let me express one thought here. That railroad was laid out and built by American brains, skill, and capital (I see here one of the gentlemen who was connected with that period), and it has been operated for fifty years, and this Government has assumed a serious obligation to the Pacific littoral to preserve the channel which has developed commerce from 50,000 tons in the beginning to 400,000 tons to-day. The canal itself is to be built to develop and provide for increased traffic, and the chief danger to existing commercial and maritime interests using the Isthmus route is that the present active operation of that route will be subordinated to the necessities of canal construction. There is no necessity for that. Under the French canal construction period the commercial business of the company was conducted successfully, in addition to the work for the canal company, which was done under a more favorable contract for the railroad than the railroad now has with the Canal Commission.

Mr. STEVENS. The business of constructing the canal was not very profitable during that time?

Mr. DRAKE. That is why this Government came into possession of it.

Mr. STEVENS. Is the Tehuantepec railroad to be in connection with Panama?

Mr. DRAKE. I do not think it is. It has two terminals on the Gulf, one at Salina Cruz, where they have sunk great blocks of stone to create a breakwater and to make a lagoon in which vessels may anchor, but by a violent storm lately the foundations of their works have been utterly destroyed. At Coatzacoalcas, on the Gulf side, they are going 18 miles up the river to establish a large interior terminal, and they expect to complete the line. But the terms of the contract which the contractors have with the Government entail the payment to the Mexican Government of 5 per cent on the gross receipts, and the period of the payment on gross receipts has disappeared so far that the lack of profit is determined in advance.

Mr. ESCH. This notice was given to the Pacific Mail Company on the 12th of July?

Mr. DRAKE. Yes, sir.

Mr. ESCH. And is in force on the 12th of July of this year?

Mr. DRAKE. Yes, sir.

Mr. ESCH. In the report which you have filed here as to the fees of the directors of the Panama Railroad Company I notice an itemized account of Mr. Grunsky's fees. Commissioner Grunsky filed with the chairman of the committee last Saturday a letter, of which I will read the first paragraph. The letter is dated February 18, 1905, and is written, calling attention to another letter which is addressed to you

as secretary of the board of directors, under date of December 13, 1904. The first paragraph of that letter is as follows:

Inclosed I hand you, unopened, an envelope which was handed to me at the close of the first and only directors' meeting, July 26, which I have attended. It contains, I suppose, the attendance fee to which the directors are entitled under the company's by-laws. I did not insist upon declining this fee at the time it was handed me in order to avoid possible embarrassment of my associates, and because I desired to read again the President's letter which makes our services on the board of directors a part of our official duties, for which we are otherwise compensated. I can not construe the attendance fee other than compensation, and therefore must decline to accept any such fee for attendance at meetings, etc.

Did you receive such a letter?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Did Mr. Grunsky return the first payment of \$25?

Mr. DRAKE. He did.

Mr. ESCH. Your account seems to indicate that that was the payment for the meeting of July 26 last?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Your account shows that he received in all payments for 10 meetings of the board of directors, making a total of \$250?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Were all payments subsequent to July 26 returned by him?

Mr. DRAKE. No, sir.

Mr. ESCH. Did he receive and has he retained the payment of \$25 made July 26?

Mr. DRAKE. Yes, sir. Let me say in explanation of that that the envelope which he returned was retained by the treasurer and subsequently handed back to him.

Mr. ESCH. And retained by him?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Has he received and retained the nine subsequent payments?

Mr. DRAKE. Yes, sir.

Mr. ESCH. Including the payment for the meeting of February 18, last?

Mr. DRAKE. He has retained them. There is an itemized statement of each director there.

Mr. ESCH. Yes.

Mr. TOWNSEND. Now, you spoke of the fact that the directors had received pay. I want to ask you if Frank Hecker ever received any money as a director of the Panama Railroad Company?

Mr. DRAKE. No, sir; he never attended a meeting.

Mr. TOWNSEND. Did General Davis?

Mr. DRAKE. No, sir. He never attended a meeting. He received notice of his election while he was on the Isthmus.

Mr. SHACKLEFORD. Neither of them ever attended any meeting?

Mr. DRAKE. No, sir.

Mr. WANGER. Has he been in the United States since he became a director?

Mr. DRAKE. Yes, sir.

Mr. MANN. Who was elected to succeed Mr. Hecker on the board?

Mr. DRAKE. Nobody. There is a vacancy.

Mr. MANN. Have you produced here the minutes of these meetings?

Mr. DRAKE. Yes, sir. I produce the original minute books of the board of directors and of the executive committee for several years back, and present them for such examination as may be desired.

Mr. STEVENS. Are they a part of the record?

Mr. TOWNSEND. They are here to be examined, and any part of them that you desire will be put in the record.

Mr. STEVENS. I desire to examine them.

Mr. MANN. I desire to examine them.

Mr. SHACKLEFORD. Where do you get the coal that you have been buying for the Panama Railroad Company?

Mr. DRAKE. We buy it in New York.

Mr. SHACKLEFORD. Where do you buy it?

Mr. DRAKE. From Castner, Curran & Bullitt.

Mr. SHACKLEFORD. Has the Panama Railroad Company been supplying the Commission with the coal that they have used on the Isthmus?

Mr. DRAKE. Yes, sir.

Mr. SHACKLEFORD. What sort of an arrangement was made with them?

Mr. DRAKE. The arrangement with them at first was that they were to be supplied at the same rate at which we had theretofore sold to the United States Government. That has been a declining price, until now we are supplying coal at \$5 per ton at Colon and at \$6 per ton along the line of road.

Mr. SHACKLEFORD. Along the line of the road?

Mr. DRAKE. Yes, sir. That price little more than covers the cost.

Mr. SHACKLEFORD. Has the Commission at any time advertised for bids for furnishing coal?

Mr. DRAKE. No, sir; not that I know of.

Mr. SHACKLEFORD. It has all been furnished by the Panama Railroad without competition?

Mr. DRAKE. Yes, sir. We received a communication from the Commission asking us to furnish them with such coal on the Isthmus as they required.

Mr. SHACKLEFORD. Who is president of that company from which you buy your coal?

Mr. DRAKE. I do not know that it has a president. It is a business concern, or firm.

Mr. SHACKLEFORD. Are any of the Commissioners stockholders in it?

Mr. DRAKE. No, sir; not that I know of.

Mr. SHACKLEFORD. Are any of the directors of the Panama Railroad directors in it?

Mr. DRAKE. No, sir; not that I know of. No, sir; I can safely say that they are not.

Mr. SHACKLEFORD. Was there up for consideration during the year 1903 or 1904 any proposition under the contract with the Pacific Mail Steamship Company

Mr. DRAKE. No, sir; the contract was running.

Mr. SHACKLEFORD. I know, but was there a proposition to amend or modify that contract, which was pending before the board of directors of the Panama Railroad Company?

Mr. DRAKE. No, sir.

Mr. SHACKLEFORD. Prior to last October?

Mr. DRAKE. Not that I recollect. I would recall it immediately if there had been.

Mr. SHACKLEFORD. Who is the Brown Hoisting Machinery Company?

Mr. DRAKE. I do not know them at all.

Mr. SHACKLEFORD. Have you had any connection or any business affairs with them?

Mr. DRAKE. No, sir.

Mr. CROMWELL. That is a large Cleveland firm, is it not?

Mr. DRAKE. I do not know them at all.

Mr. SHACKLEFORD. Where do you get the coal that you purchase; where is it delivered to you?

Mr. DRAKE. At Norfolk.

Mr. SHACKLEFORD. Do you know where it comes from?

Mr. DRAKE. It comes from along the Norfolk and Western Railroad. It comes from the mines of Castner, Curran & Bullitt—the Pocahontas Coal Co.

Mr. SHACKLEFORD. That is all I have to ask.

Mr. WANGER. Do I understand you that you think that the Panama Railroad Company, through its steamship line from New York to Colon and its agreement with the Pacific Mail Steamship Company, secures the largest possible revenues for its operation?

Mr. DRAKE. Yes, sir; I desire to so state. We have an agent in San Francisco who is engaged for the purpose of “keeping tab,” I may say, upon the operations there, and to see that the market is canvassed, and that all freight that can be attracted our way is attracted and carried our way. We do the same thing at this end, and the evidence is that our ships are going out fully loaded with a San Francisco cargo, and we had a few days ago, at Panama, to deliver to the Pacific Mail Steamship Company an accumulation of 4,000 tons of San Francisco cargo bound north, and the ships are coming down full.

Mr. WANGER. Do you think that the volume of the freight or the number of passengers might have been materially increased if it had not been for that contract with the Pacific Mail Steamship Company?

Mr. DRAKE. That it could have been increased?

Mr. WANGER. Yes; materially.

Mr. DRAKE. I can not say as to that, but I do know under the contract traffic has not been developed to its possibilities. The Pacific Mail Steamship Company have done exactly what we have done in regard to constructing ships for the route. Expecting a continuance of this contract, and believing and hoping that the only American line running to the Isthmus would be fostered and not discriminated against, the Pacific Mail Company, as I learned through interviews with their officials, had prepared specifications and invited bids for the construction of three large vessels to place on their line, to run in connection with the vessels we were expecting to build, for which we had plans and specifications prepared upon which to invite bids. All of that work for both companies has been stopped. There is one thing I would say, and that is if both lines were encouraged to go ahead with their construction the business can be developed very rapidly and be made very much more profitable, so that by the time the canal is completed there will be a good strong American line ready to run through the canal the first day it is opened. There are sev-

eral lines seeking to share the business of the company's line to Colon by making that point a port-of-call, in connection with our railroad, they to be allowed a differential in rates because of delayed or slow service. We have refused the connection, as it would render the situation ruinous for us by reason of cheap competition. If such connection be allowed there is nothing to prevent Pacific Mail from restoring its line on the Atlantic to connect with their Pacific service, and thus secure control of our coastwise business. We have had instances of the effect of such competition as I refer to above in contracts that we have placed recently for carrying canal materials to the Isthmus for the Commission.

Mr. WANGER. Your judgment, then, is strongly against abrogating the contract with the Pacific Mail Steamship Company?

Mr. DRAKE. I am strongly against doing so, unless another or other lines can be found to provide as good or better connection for our railroad.

Mr. STEVENS. You think those ships will not be built except under the assurance of an exclusive contract?

Mr. DRAKE. It would be unwise for them to build them for that service, which requires special type of vessel, as we do. Our vessels are adapted to long voyages for passengers and cargoes.

Mr. TOWNSEND. I want you to look at this paper and see if that is a correct statement of the matters therein set forth (handing witness paper)?

Mr. DRAKE. Yes, sir; that is a correct statement of the fees received by the directors and members of the executive committee.

Mr. TOWNSEND. You showed me this letter, and I do not know whether that has been marked or not (handing witness another paper).

Mr. DRAKE. That is a correct copy.

Mr. TOWNSEND. That is a correct copy of the letter, is it?

Mr. DRAKE. It is a correct copy.

(The two papers above referred to are here copied in the record, as follows:)

Not furnished.

(Thereupon the committee took a recess until 2 o'clock.)

AFTERNOON SESSION.

WASHINGTON, D. C., *February 20, 1905.*

The committee met at 2 o'clock p. m., Hon. James R. Mann (acting chairman) in the chair.

STATEMENT OF MR. RICHARD L. WALKER.

Mr. SHACKLEFORD. What is your official connection with the Panama Railroad?

Mr. WALKER. I am traffic manager of the Panama Railroad and of the Panama Steamship Line.

Mr. SHACKLEFORD. In determining rates between New York and San Francisco, what was the basis used?

Mr. WALKER. The basis is the transcontinental lines freight tariff.

Mr. SHACKLEFORD. How did you attempt to have your rates compare with the transcontinental tariff?

Mr. WALKER. We try to get freight at 30 per cent less than the transcontinental rate for shipments in less than carloads, and 20 per cent less for shipments in carloads; and we make those rates apply to a zone about New York, as far as an absorption of 20 cents a hundred pounds, of the inland rate.

Mr. STEVENS. It would apply to all rates not exceeding 20 cents a hundred pounds?

Mr. WALKER. Yes, sir.

Mr. STEVENS. Into New York?

Mr. WALKER. Yes, sir; and for the rates exceeding 20 cents a hundred into New York we usually add the excess to the rate. If that does not bring us sufficient business, we disregard the tariff altogether, and make a special rate; cut it down to what will get the business. For instance, we used to get a good deal of the low class dry goods business from New York to San Francisco when there were no carload rates for that class between New York and San Francisco. Their rate, say, was \$1.50, and 30 per cent off made our rate \$1.05. It was a material saving, and the shipper could afford to pay the marine insurance from that. But the railroads finally put in a carload rate of \$1, and I offer 40 per cent off of that, but it is not attractive.

Mr. STEVENS. Why?

Mr. WALKER. Sixty cents is not low enough to get the business, because they have to pay the marine insurance on it; and I can get other freights—other classes of freights—to fill up our ships which will make a better net revenue for us than to cut that rate lower.

Mr. STEVENS. How have the rates over your line, for instance, from Hamburg to San Francisco compared with the rates made by the other line by the way of the Straits of Magellan from Hamburg to San Francisco?

Mr. WALKER. The Hamburg line makes rates in consultation with us to meet the competition via New Orleans more particularly than via Magellan, and the Isthmus route has never been able to get much business from Europe to San Francisco. Last year the total tonnage from Europe to San Francisco by the Hamburg line and the other seven lines running into the Isthmus was only 2,938 tons.

Mr. STEVENS. That is all those lines brought?

Mr. WALKER. Yes, sir.

Mr. STEVENS. Have you any idea how much went by the other route that I have spoken of?

Mr. WALKER. Via Magellan to San Francisco?

Mr. STEVENS. Yes.

Mr. WALKER. Very little. The line that runs from Hamburg via Magellan calls at all the ports up the coast and it is discharging and loading cargo all the time just like a stage coach, in and out all up the coast, and it does not carry very much through cargo either way.

Mr. STEVENS. The majority of the cargoes for the Pacific slope that have come from Europe have come by way of New Orleans.

Mr. WALKER. They come by way of New Orleans and Norfolk and Montreal and New York. The Northern Pacific and Canadian Pacific are very strong factors in the business from Europe for the Pacific coast. They are very strongly competitive. I was several years ago with the R. F. Downing Company, forwarding agents,

and we handled a great deal of that business, and actively fought that competition all the time.

Mr. STEVENS. Have the Canadian Pacific their own lines from Vancouver down?

Mr. WALKER. I do not know whether they have now or not. I do not think they have.

Mr. STEVENS. Is there any freight moved to the Pacific coast in the grain vessels—those vessels that come to the Pacific coast to be loaded with grain from the coast to Europe?

Mr. WALKER. What class of freight?

Mr. STEVENS. General merchandise.

Mr. WALKER. From Europe?

Mr. STEVENS. From Europe.

Mr. WALKER. To San Francisco?

Mr. STEVENS. Yes; and other Pacific coast ports.

Mr. WALKER. It never has appeared to me a material factor.

Mr. WANGER. Has not the tariff of the Pacific Mail Steamship Company from Panama to San Francisco been an obstacle in the way of securing freight from Hamburg and other European points by way of the Isthmus?

Mr. WALKER. No, sir. The authority to make the through rates is vested particularly in the initial carrier, and the Panama Railroad has insisted upon the lines from Europe to Colon making rates to compete with the rates put out by the lines connecting with the Southern Pacific at New Orleans; and three years ago they made a tariff by weight altogether in place of the former tariff by weight or measurement. We could not get any freight at all from Europe to San Francisco when the shipper did not know whether the steamship was going to charge by measurement or the weight of the goods, because he knew just what he was going to pay by weight by way of New Orleans. So the European lines, after considerable discussion, agreed to waive the question of measuring the goods, and to take them by weight. They have recently lowered the rates, after consultation with us, to see if they could not build up a business. This 3,000 tons that I speak of is a gain of 1,200 tons over the year before.

Mr. SHACKLEFORD. Has there been any commerce across the Isthmus to and from Gulf ports?

Mr. WALKER. During the last year the United Fruit Company have established a line from New Orleans to Colon, and have carried freight to the Isthmus for distribution up and down the coast. They can not carry the San Francisco business because they use foreign steamers altogether. They will not take homeward freight, freight to New Orleans. They leave Colon empty, and load with bananas, practically, at Port Limon to go to New Orleans.

Mr. SHACKLEFORD. Would there not be a trade, then, if they would engage in it?

Mr. WALKER. Yes: we tried to induce them to handle some coffee business, and they did take a little; but then they stated that they did not want to go generally into the business, because the quarantine at New Orleans might interfere with the banana traffic, and bananas have to be discharged promptly at New Orleans in order to be delivered in good condition.

Mr. SHACKLEFORD. Is there a business which can be built up between Gulf ports and the Panama Railroad?

Mr. WALKER. That is what we are looking for, between the Panama Railroad and the Gulf ports, outward. That is a growing business. The United Fruit Company have been in it only about a year. Several years ago (I think it was in 1900 or 1901) we tried to find some line that would operate between New Orleans and the Isthmus. No one was ready to go into the business then. But last year a storm in Jamaica injured the crop, and the United Fruit Company found the banana steamers on their hands without much to do, and therefore they thought that they would run their steamers into Colon and make an arrangement with us to handle bananas there. We invited that competition with the business that was already there, and that was the inauguration of their line. They then finally decided that they would go in with us and make the same rates from New Orleans to all the Pacific ports—foreign ports—that we did so as to get the business from the Middle West.

Mr. SHACKLEFORD. When you say the "same rates," do you mean the same rates as from New York?

Mr. WALKER. Yes, sir.

Mr. SHACKLEFORD. Ought not the rate from New Orleans, in order to compete for that sort of freight, to be lower than the rate from New York?

Mr. WALKER. No, sir; I do not think so, because naturally there is a certain territory which will feed New Orleans, and a certain other territory which will feed New York, according to the rate from the initial point. My idea in making that arrangement was that the beer from St. Louis would go that way instead of going by way of New York, as it had been doing, and that such rates probably would draw cargo from as far north as Chicago, and take in the whole Mississippi Valley.

Mr. SHACKLEFORD. Have you been shipping St. Louis beer from New York?

Mr. WALKER. Yes, sir; from St. Louis to New York, and then south. Not on through rates. We do not make any through rates on foreign business from the interior. That is principally because of the customs regulations.

Mr. SHACKLEFORD. Now, to get St. Louis beer, for instance, from New York, say, what would be its destination?

Mr. WALKER. Generally Colon or Panama.

Mr. SHACKLEFORD. And that would be distributed?

Mr. WALKER. It goes into consumption.

Mr. SHACKLEFORD. It goes into consumption there?

Mr. WALKER. Yes, sir.

Mr. SHACKLEFORD. You do not ship any for South American ports?

Mr. WALKER. I think the ports on the other side get their beer from Chile.

Mr. SHACKLEFORD. Flour and grain that went from that direction would go from the port of New York?

Mr. WALKER. Most of the flour on the Panama side goes down from San Francisco, and it has been a very strongly competitive article. We have competed as far as possible with the Pacific Mail to get some of the business in New York, but the consumers like the strong western flour better, and we can not keep the trade to the New York side.

Mr. STEVENS. How about machinery from Chicago and Ohio; which way would that move?

Mr. WALKER. To the foreign ports that would move by the way of New York under the old arrangement. I do not know whether any of it has been moved through New Orleans this last year or not. The shipments we deal with to foreign ports are all handled by commission merchants in the city of New York. They go to the various consuls and take out consular invoices, and make the declarations at the custom-house which the United States laws require regarding exports, and all that tends to keep the business in the form of originating at New York, although I think that at New Orleans the steamship agency has arranged to do the clearing for the interior shippers. Of course the result of that has been to make the New York shippers very much provoked. They see their business passing away. "Well," I say, "you can not have it always."

Mr. SHACKLEFORD. That is the point I was trying to get some light on, whether or not there is not a large possible trade from Gulf ports by way of the Isthmus.

Mr. WALKER. I should think there was. I should think the whole Middle West could ship that way very profitably.

Mr. ESCH. You say the United Fruit Company, from Gulf ports to the Isthmus, does not engage in San Francisco traffic?

Mr. WALKER. They are all foreign steamers. They are mostly Norwegian steamers.

Mr. ESCH. Would the fact that you had an exclusive contract with the Pacific Mail have any effect on that?

Mr. WALKER. No, sir; the Pacific Mail is bound to take our freight, everything we can give them at Panama, and we could have a line from every port in the United States on the Atlantic side to the Isthmus and they would be bound to carry that freight forward from us on the other side.

Mr. ESCH. Yes.

Mr. STEVENS. There is no reason under the law why goods billed from San Francisco to the Isthmus should not be rebilled from the Isthmus to New York, is there?

Mr. WALKER. That question came up some years ago when some one shipped some freight from here to Europe, and then reimported it in bond at San Francisco, and I understand that the Government won on its contention, and forced the shipper to pay duty on those American goods that had been shipped to Germany and reimported. That is precisely parallel to the case you suggest.

Mr. STEVENS. So that freight has to be billed through in order to escape duties?

Mr. WALKER. Yes, sir; the customs authorities require us to file at the custom-house in New York a full statement of all the cargo that we carry out of New York for San Francisco, and it is under the charge of the American consul at the Isthmus, and he sees that no foreign cargo is substituted for the American cargo that left here, and then the collector at San Francisco checks the cargo discharged by the Pacific Mail as the cargo that left New York.

Mr. STEVENS. Then that business, under the law, must be carried in American vessels?

Mr. WALKER. Yes, sir; that is certain.

Mr. STEVENS. Now, on that point, I would like to pursue this for a moment, Mr. Walker, on the line on which I was questioning Mr. Drake this morning. Will there not be quite a large increase of busi-

ness from Puget Sound and San Francisco to the Isthmus on account of the construction of the canal in the carriage of supplies, and so forth?

Mr. WALKER. I should imagine that there would be, because the Pacific coast can compete for delivery there with delivery from the Atlantic coast.

Mr. STEVENS. Yes. Now, that large increase of business will attract tonnage, will it not?

Mr. WALKER. I should think it would.

Mr. STEVENS. So that when your contract with the Pacific Mail Steamship Company shall be completed next July there will be an inducement for those ships to continue in that Pacific coast business?

Mr. WALKER. Well, as long as they could get those supplies.

Mr. STEVENS. And other business. You see the point? In the first place, there is the Pacific coastwise business between the Pacific coast and the Atlantic coast, and the Gulf, which must be carried in American bottoms. There is one source of freight. The second source would be the amount of construction material sold by Pacific coast people, such as lumber and rough stuff like that——

Mr. WALKER. Yes, sir.

Mr. STEVENS (continuing). To the canal authorities for the construction of the canal. Now, those two sources of business will attract tonnage from the Pacific coast to the Isthmus, will they not?

Mr. WALKER. You spoke, as I understood, of coastwise traffic?

Mr. STEVENS. Yes, sir.

Mr. WALKER. So far, no American vessels have been found to do that particular business for the Government. The traffic has moved in the German steamers which go from Puget Sound to San Francisco, and then to some port in Mexico, and to another and another port, and so on down the coast, carrying freight and discharging at these different ports, lifting freight from each port and carrying it to ports farther down and making the port of Panama incidentally a port of call.

Mr. STEVENS. You understand why that was carried in German vessels?

Mr. WALKER. I understand.

Mr. STEVENS. Because they would break cargo, and the others would not. An American vessel would require a full cargo, and the German would break cargo if required to do so.

Mr. WALKER. The German vessel is the omnibus, taking cargo and dropping it in small lots, in that way.

Mr. STEVENS. When this traffic increases so that there will be more vessels, will there not be American vessels to carry that freight?

Mr. WALKER. That would depend entirely on what rates those Germans would be willing to take and whether or not those vessels could get a better freight than freight to Panama. American vessels are so few that generally they can afford to go in some protected territory and leave these open ports to the foreign flags.

Mr. SHACKLEFORD. What do you mean by "protected territory?"

Mr. WALKER. Such as the coastwise business; business that the foreign ships can not take, business that is protected by our coastwise laws.

Mr. SHACKLEFORD. Were it not for that this traffic would be profitable, would it not, which Mr. Stevens has spoken of?

Mr. WALKER. Well, I should think if a foreign vessel finds it profitable, that a foreign vessel which has an American registry ought to find it profitable. They say, however, that they do not. They say that under the American flag they are obliged to pay higher wages; but I have no personal knowledge on that point. I do know, though, that I recently had occasion to find a vessel to carry a large number of cars for the Commission to the Isthmus, and that I went to an American owner of a vessel which recently secured American registry, and the only one I know of that was capable of carrying those cars because of the size of the large hatches, and he did not care to compete for that business when he knew that I was inviting bids from foreign vessels. He said that there was no use; that he could not compete. Now, whether his vessel had become capitalized at too high a figure I do not know. The probability is that he could find more profitable employment for her where the business was confined to the American flag.

Mr. STEVENS. Now, supposing that Congress extended the coastwise laws to embrace the Isthmus, providing that the trade between the Isthmus and any part of the United States should be coastwise trade, what would be the effect of such a provision as to the rates between the United States and the Isthmus, and the traffic between the United States and the Isthmus? Would it increase rates or increase traffic?

Mr. WALKER. You mean through rates?

Mr. STEVENS. I mean the rates, through and local rates.

Mr. WALKER. That would naturally keep rates up by limiting competition.

Mr. STEVENS. It would increase rates some at first?

Mr. WALKER. It would naturally increase rates.

Mr. STEVENS. Would it not also increase facilities? For instance, the Pacific Mail would certainly continue in that business, because it would be coastwise business.

Mr. WALKER. It would not change the status of the Pacific Mail Company, because that is an American line now.

Mr. STEVENS. Then it would have a monopoly, and would carry all of that traffic, irrespective of any contract?

Mr. WALKER. It would not alter what they do now, because the freight to and from the various ports of call in Central America and Mexico can be carried in foreign vessels. I heard a question which was asked of Mr. Drake this morning which I think bears on what you are asking now, and that question was about the Pacific Mail keeping in the business under any circumstances. The most profitable traffic that any of us have—the most profitable single item—is the coffee that moves from Central America to Europe. The great bulk of that moves in January, February, March, and April, and at that season anybody who has a ship down there would like to do that business, take the cream, and not run any other time of the year. Of course the wish of the Pacific Mail Steamship Company is to prevent that tramp business by way of the Isthmus, and, in order to induce the Pacific Mail to keep up a regular weekly service, we made that exclusive arrangement which is about to expire, to protect them in this good, paying business, while they are making the regular service for the less remunerative business of the other parts of the year. The through rate between New York and San Francisco

averages about \$12 a ton out, and about \$9.74 a ton home. That was last year. Half of that goes to the Pacific Mail and, of course, it is not a very remunerative business for the long haul. The coffee they take up in Central America is hauled from 500 to 1,000 miles, I suppose, and they put it in the place of cargo which they have discharged on the way down from San Francisco. In other words, between San Francisco and Panama, steamers receive practically two freights for the same room, whereas on the cargo from San Francisco to New York if they only get the one.

Mr. STEVENS. So that that traffic is much more profitable than the through traffic from New York?

Mr. WALKER. The foreign traffic is very much more profitable to us all. In fact, if we had nothing but the San Francisco traffic to go via the Isthmus we would all have to go out of it—that is, with the American ships. I think if we had some of the cheap foreign tramps, if they could do that business (United States coastwise), they might be able to make money on it. They would take ten days to run from New York to the Isthmus instead of seven.

Mr. STEVENS. And they would take two weeks running up?

Mr. WALKER. A direct line would take two weeks. The Pacific Mail are about twenty-two days making the trip, including the stops between Panama and San Francisco.

Mr. SHACKLEFORD. Those stops delay them very greatly?

Mr. WALKER. I suppose those stops account for a week.

Mr. STEVENS. If the railroad is subordinated to the construction of the canal, so that freight is delayed, what difference will that make on the volume of freight that would be moved?

Mr. WALKER. The business would shrink. My own opinion of that is that the subject would be forced upon the State Department. I think that the lines in Europe which have interests in carrying freight to the Isthmus and have been making a profit would interest their home governments to insist that the line that had been kept open there for fifty years should be kept open for the commerce of the world.

Mr. STEVENS. Do you think the treaty would affect that?

Mr. WALKER. That is not the question. The question would be that the United States, by becoming the owner of the railroad and refusing to give the facilities which the world had enjoyed heretofore on the Isthmus, would be injuring all these foreign capitalists.

Mr. ADAMSON. Have you any reason to fear that the railroad can not do the work we need from it in building the canal, without impairing its usefulness?

Mr. WALKER. I have not the slightest doubt that the railroad can be operated so as to take care of the traffic and to build the canal.

Mr. ESCH. It is a single-track railroad.

Mr. WALKER. Yes, sir; but I should say that it should be double tracked.

Mr. ADAMSON. There are many, many miles of double track—of long sidings.

Mr. WALKER. Yes, sir.

Mr. ADAMSON. It struck me that it was in better condition than many of the trunk lines in this country.

Mr. WALKER. Yes, sir.

Mr. LOVERING. And they have the rails, have they not?

Mr. WALKER. Yes, sir.

Mr. STEVENS. Would not this be true, that any difference in the traffic between New York and San Francisco would make a difference in freight rates between New York and San Francisco?

Mr. WALKER. Anything that handicaps the Isthmus route leaves the railroads free to make an agreement with the one concern that has seen fit to establish a steamship line via Magellan, and they certainly would agree to get all there was in the business out of it.

Mr. STEVENS. So that you think the one regulator is the Isthmus route?

Mr. WALKER. Yes, sir.

Mr. SHACKLEFORD. And it will cease to be a regulating route if it has not its present connection with a steamship line?

Mr. WALKER. Yes, sir. Certainly you can not do anything with this little 48-mile railroad if you have not a steamship line there to give it an outlet.

Mr. STEVENS. Yes; on both ends?

Mr. WALKER. Yes, sir.

Mr. ESCH. Your total tonnage was about 400,000 tons last year?

Mr. WALKER. Yes, sir; on the Isthmus.

Mr. ESCH. What is the total of the transcontinental tonnage; have you any idea?

Mr. WALKER. No, sir. I looked it up several years ago. I think it was about four years ago, and at that time we carried one-sixth of the total business from the Atlantic coast territory to the Pacific coast.

Mr. STEVENS. One-sixth of what?

Mr. WALKER. Of the total tonnage moving from the Atlantic seaboard to the Pacific seaboard of the United States.

Mr. STEVENS. That would not include the fruit shipments?

Mr. WALKER. I learned from Mr. Stubbs the number of tons that were carried by the transcontinental railroads, and I found that there were carried by the way of the Straits of Magellan one-sixth. We carried one-sixth, and together with what Magellan carried that made one-third of the business.

Mr. STEVENS. That would include general merchandise, but not fruits?

Mr. WALKER. I do not know whether Mr. Stubbs included the fruit or not. He could not have included fresh fruits, because they are not a factor in the business of the Isthmus route, which occupies a month in transit.

Mr. STEVENS. Fruits were excluded from that estimate, then?

Mr. WALKER. Yes, sir. I do not know whether it included dried fruits.

Mr. STEVENS. You say that you carried a sixth and the Straits of Magellan a sixth?

Mr. WALKER. Yes, sir. At that time they had only sailing vessels, and they were building then those large steamers which they have since put on. The question was whether the Isthmus and the transcontinental lines would be wiped out of existence or not by the tremendous capacity of those big vessels. A sailing vessel was of 3,000 tons capacity, but those big fellows—those steamers—were 12,000 tons.

Mr. SHACKLEFORD. What has been the effect of that?

Mr. WALKER. The coast business have grown; the business is very much larger since the Philippines have been opened up. I do not know whether our business has increased in proportion to the others or not, but our business has increased all the time.

Mr. SHACKLEFORD. You do not know what has been the effect of the Magellan business?

Mr. WALKER. The Magellan steamers are running full. The next steamer can not take any more freight. She has a full cargo. They run a regular schedule—once a month.

Mr. SHACKLEFORD. Would a reduction in your rate increase the traffic as against the Magellan route?

Mr. WALKER. Undoubtedly; if we carried our freight cheaper than we are taking it now we would get a great deal more freight, if we could carry it.

Mr. STEVENS. You do not get any of the Hawaiian sugar business?

Mr. WALKER. No, sir.

Mr. STEVENS. That all goes by the Magellan route?

Mr. WALKER. The sugar?

Mr. STEVENS. Yes.

Mr. WALKER. I do not think it all goes by the Magellan route. Some of it has gone to San Francisco, and moved over the Southern Pacific to New York.

Mr. SHACKLEFORD. What is the Isthmus rate as compared with the Magellan rate?

Mr. WALKER. Sometimes we have to take a lower rate than the Magellan line. For instance, I have in mind the one item of sapolio. A grocer carries boxes of sapolio on his shelves, and to get them dirty or break them in rehandling at the Isthmus forces the consignee to the expense of repacking. Shelf goods can go on the Magellan steamer in New York and be landed in San Francisco in first-class condition. I just take that as an instance.

Mr. SHACKLEFORD. What is it in general?

Mr. WALKER. In general I think our average rate is higher than theirs.

Mr. ESCH. In stating that you carried one-sixth of the total traffic, did you include there the traffic that passed from the Atlantic to the Pacific side?

Mr. WALKER. Yes; the total traffic.

Mr. ESCH. The total traffic?

Mr. WALKER. Yes, sir.

Mr. ESCH. Then the line, in managing and controlling one-sixth of the transcontinental traffic, would have sufficient to regulate the rates on the transcontinental railroads?

Mr. WALKER. No, sir; we control a third.

Mr. ESCH. That is, your route and the Magellan route control one-third between them?

Mr. WALKER. Yes, sir; they carried a sixth and we carried a sixth.

Mr. LOVERING. How many independent transcontinental lines are there?

Mr. SHACKLEFORD. Would not that be a very difficult question to answer?

Mr. LOVERING. I thought that he might answer it.

Mr. WALKER. I suppose there are the Southern Pacific, the Atchison, the Northern Pacific, and Canadian Pacific. I think others are merged together.

Mr. STEVENS. The Union Pacific and the Great Northern are two more.

Mr. WALKER. The Union Pacific and the Southern Pacific are synonymous to me. I thought that the others were left separate. I thought the merger suit had settled that.

Mr. STEVENS. Settled that they should be kept separate?

Mr. WALKER. Yes, sir.

Mr. LOVERING. You say the freight rate from New York to San Francisco via the Panama Railroad is \$12. What class of freight do you refer to in that?

Mr. WALKER. That is the average rate on the total tonnage.

Mr. LOVERING. Now, what is the transcontinental rate; do you know that?

Mr. WALKER. I have no idea. I would have to know their total tonnage and total revenues to get at that.

Mr. MANN. How do you get the average rate on that?

Mr. WALKER. I take the total number of tons and divide into the total revenue, and it shows that I got \$12, on the average, per ton.

Mr. MANN. That, of course, has nothing to do with the average rate?

Mr. WALKER. No, sir. A great deal of that freight only pays \$9 a ton.

Mr. SHACKLEFORD. For comparison, take some commodity and make a comparison between the rate on your line and the transcontinental line.

Mr. WALKER. The easiest comparison is that my rate for less than carloads is 30 per cent less than theirs.

Mr. SHACKLEFORD. Do you make a rate 30 per cent lower than the transcontinental rate?

Mr. WALKER. Not absolutely. I do not have force enough to work up a book like that [indicating pamphlet], so I send to the commissioner and get that book and give my billing clerks a tariff, and I say to them "Bill according to that." That is the transcontinental classification to which I refer [indicating pamphlet].

Mr. MANN. Now, do you make a tariff rate—you have a published tariff rate?

Mr. WALKER. Yes, sir.

Mr. MANN. Is that published tariff rate based on the 30 per cent discount from the transcontinental published rate?

Mr. WALKER. Yes, sir. It reads in this way. I first have a set of class rates running from \$1.80, first class, down to class E, 70 cents. But practically little or no freight moves under those rates, because the transcontinental lines have covered nearly everything we carry by a commodity rate.

Mr. MANN. I was going to ask you how many commodity rates you have.

Mr. WALKER. As many as they have. I take their tariff.

Mr. MANN. They do not have a very large number of commodity rates, do they?

Mr. WALKER. From New York to San Francisco?

Mr. MANN. Yes, sir.

Mr. WALKER. They have 65 pages of them. They cover pretty nearly everything that moves.

Mr. MANN. Sixty-five pages of commodity rates?

Mr. WALKER. Yes, sir. Now, my instructions to the billing clerks are that the commodity rates from New York will be those of the transcontinental west-bound tariff, in effect at the time of shipment, less the following discounts: Carloads, 20 per cent; less than carloads, 30 per cent, observing a minimum of 40 per cent per hundred pounds—\$8 per ton.

Mr. MANN. In other words, your rates are less, 20 per cent less, than the transcontinental carload rates, and 30 per cent less than less carload rates?

Mr. WALKER. That is right, as a general proposition.

Mr. MANN. But you do not carry anything at less than 40 cents, as a minimum rate?

Mr. WALKER. That is the lowest rate we take.

Mr. MANN. Do you ever make any concessions?

Mr. WALKER. There are large houses in San Francisco with which we made arrangements to carry all of their consignments at the less than carload rate without regard to the quantity, because the Morgan line, the Southern Pacific Company, were prepared to allow large shippers to accumulate their cargo from the interior on the wharf in New York until there was a carload, and then bill the accumulation at the carload rate.

Mr. MANN. You said a moment ago "At the less than carload rate." You meant to say at the carload rate?

Mr. WALKER. Yes, I meant the carload rate, although less than a carload moves at the particular time. It may be that when cargo for one consignee arrives at the Isthmus there may be a carload to cross the Isthmus, by the accumulation, or there may not be. But I can not afford the space on our wharf to accumulate that cargo, as our wharf has to be used for discharging as well as loading ships, which limited space in New York forced me to adopt that plan with the larger shippers in San Francisco.

Mr. MANN. Which, of course, is a violation of the law which we have put upon railroads. But that does not apply to you, of course.

Mr. WALKER. That is what I thought. We have never felt that the interstate commerce law applied to our line, which is a water line. That 48 miles of road across the Isthmus hardly counts for anything else but a connecting link.

Mr. MANN. It might be a question whether it comes under the sovereignty of the United States. Did you ever make any other concessions or pay any rebates or give any preferences in any other ways?

Mr. WALKER. No, sir; we have never made any arrangement with any shipper that we would not make with any other shipper under the same circumstances.

Mr. STEVENS. And all published?

Mr. WALKER. Yes, sir.

Mr. MANN. You say your rates are based on the discount off the regular published transcontinental rates. From those rates do you give any discounts?

Mr. WALKER. Yes, sir; we make changes when we find that those rates are not low enough to get a particular class of business and we want that business. In such a case we will make another rate for it.

For instance, I have a rate with one company of 45 cents a hundred pounds from New York to San Francisco. The same rate applies to the shipments of another company from another section. According to my tariff I would make the transcontinental rate less the discount and pay the freight from the shipping point into New York if it did not exceed 20 cents a hundred pounds.

Mr. MANN. What would be the transcontinental rate from New York?

Mr. WALKER. On this class of goods?

Mr. MANN. On that class of goods.

Mr. WALKER. Well, some of it would be 75 cents a hundred pounds.

Mr. MANN. And upon that you would make a discount of 20 per cent for carload lots?

Mr. WALKER. Twenty per cent would be 60 cents.

Mr. MANN. And you make a rate of 45 cents?

Mr. WALKER. The freight into New York might be 20 cents, which would get me down to my minimum of 40 cents; but I get 45 cents from it.

Mr. MANN. What is that, wire?

Mr. WALKER. That was wire.

Mr. MANN. Your rate on wire is 60 cents from New York to San Francisco?

Mr. WALKER. Yes, sir.

Mr. MANN. Based on the transcontinental rate?

Mr. WALKER. New York and common points.

Mr. MANN. I understand. Now, in order to get points west of New York in the Atlantic seaboard territory you pay the rate from those points to New York?

Mr. WALKER. If it does not exceed 20 cents.

Mr. MANN. I understand, but that does not affect your rate from New York. Your rate is 60 cents. Now, what rate do you make to the American Wire and Steel Company?

Mr. WALKER. The shipments of the American Wire and Steel Company move from Worcester, Mass., formerly the Washburn, Moen & Co.

Mr. MANN. Is that a published rate?

Mr. WALKER. That is a published rate [referring to printed tariff]. These things are not distributed broadcast, if that is what you mean.

Mr. SHACKLEFORD. They are published where you and they can see them?

Mr. WALKER. Yes, sir; or anybody else.

Mr. MANN. You say "anybody else." What we want to do is simply to get at the facts.

Mr. WALKER. I understand. I have nothing to conceal. I have given these tariffs to everybody who has asked for them.

Mr. MANN. You have been doing this for the benefit of this property?

Mr. WALKER. Yes, sir.

Mr. MANN. But, on the other hand, the Government comes in now, and it is a question whether the Government can afford to do those things itself which it forbids other people to do, and we wish to ascertain what the fact is, from the Governmental point of view, not from the point of view of the man who works for the company.

Mr. WALKER. Now, Mr. Chairman, the point in that matter is where we compete; if I publish a tariff via the Isthmus, and say that my

rates are 30 per cent less than all-rail rates on less than carloads, and 20 per cent less for carloads, that is nothing but an agreement with the transcontinental lines on differentials. Now, I do compete, and have increased the business to 50 per cent greater than what it was when I first went with the line.

Mr. MANN. If you do not get business enough on that differential, you cut rates?

Mr. WALKER. I go farther away, generally, to get the business. I go to St. Louis and Chicago to get the business; and that partially is what makes the so-called "postage-stamp" rate on the whole territory east of the Mississippi River, because I go anywhere to get the business, just as the Magellan Steamship Line does.

Mr. MANN. And we have a great complaint about that, just because your line does that thing.

Mr. WALKER. You can not bottle the ocean.

Mr. MANN. We can make you live up to the published tariff rate, and if the Government requires our railroads to live up to the published rates, we could compel you to live up to them.

Mr. LOVERING. Do they live up to the published tariff rate?

Mr. WALKER. I believe they do. I can not see why they should cut it.

Mr. STEVENS. You can not compel the Hawaiian Steamship Company to live up to it?

Mr. WALKER. No, sir; they do just as they please; and we have been put in the same category. Of course, if the Government wants the traffic manager to carry freight for nothing, that could be done, or, on the other hand, the rates could be made prohibitive if the Government should so decide.

Mr. STEVENS. Do you think it is just, when the Government compels railroads to stop preferences and live up to published tariffs, and to take into consideration the long and short haul matter, that the Government should proceed to disregard everything in its own case, and cut rates and give preferences?

Mr. WALKER. I think it is on that long and short haul we are working. It is absolutely water competition. We can not send our ships to sea unless they are properly loaded. They have to be properly ballasted, and if I can not get freight on the spot at one price, I take it at another.

Mr. STEVENS. That is the way with all steamship business?

Mr. WALKER. That is so with all steamship business all over the world.

Mr. MANN. That used to be so with all railroad companies, and would be now if we did not interfere with them.

Mr. WALKER. That is the natural law of competition. The railroads have been very much benefited by the interstate commerce law, there is no doubt about that; and the public have paid a great deal more freight than they did when the railroads were going as they pleased. There is no question about that.

Mr. STEVENS. And the more we regulate the higher the rates will be?

Mr. WALKER. Yes, sir.

Mr. ESCH. How much of this freight that you have shipped out of New York to San Francisco originates right in New York, and how much is gathered into New York from the outer territory?

Mr. WALKER. Almost all of it comes from the factories outside.

Mr. ESCH. And within what radius?

Mr. WALKER. It is difficult to tell, because, while we absorb that 20 cents, there are shipments made from points that have to pay higher, and then the difference is added to the rate. For instance, from a place like Amsterdam, N. Y., on certain classes of goods we are charged 31 cents into New York. Now, I would first take 20 per cent off of the rate, if it was a carload, and then I would absorb that 20 cents and add the 11 cents to it, so that it really would not be 20 per cent lower from Amsterdam to San Francisco than the transcontinental rate.

Mr. ESCH. And yet your transcontinental rate really limits?

Mr. WALKER. It is supposed to, because it is thought that unless a shipper can get his rate down 20 per cent lower than the railway rate he will not give us the business.

Mr. ESCH. Because it takes longer to ship it?

Mr. WALKER. Yes, sir. But of course he figures closer than I would. He knows the value of the goods and what the insurance on them would cost him, and he can figure out whether my rate would be to his advantage by way of the Isthmus, or whether he had better pay a higher rate across the country.

Mr. ESCH. And yet in no case where you have allowed a special rate, as you have specified, do you permit your rate to go lower than \$8 a ton?

Mr. WALKER. That is a matter we have agreed on with the connecting carrier on the other side, that we will not allow him to take freight from San Francisco to New York at less than \$8 a ton unless he consults with us, and he will not allow us to take freight at a lower rate than that unless he gives his permission.

Mr. ESCH. Do you exercise that permission, either of you?

Mr. WALKER. It has not come up under the present contract, because we have been able to keep on increasing the business, and doing a good business at, as I have stated, an average of \$9.74 a ton, the lowest rate from San Francisco being \$8, which is on lead. A large part of the business from San Francisco to New York is the wine, and that pays us 55 cents a hundred pounds, which would be \$11.

Mr. SHACKLEFORD. Would there be any difference in the rate of insurance on a cargo from New York by way of the Isthmus and one from New Orleans by way of the Isthmus?

Mr. WALKER. I think the underwriters would make about the same rate. You know they consider the ships outside of the difference in the voyage. Our voyage is about two days longer from here to the Isthmus, but our ships are larger and are a better class of boats.

Mr. SHACKLEFORD. Suppose the case of the same class of boats, and loaded with the same class of cargo, out of New Orleans by way of the Isthmus, and out of New York by way of the Isthmus?

Mr. WALKER. I think if I was running the line from New Orleans I would remind the underwriter that there was only five days' risk instead of seven, and that he ought to give a lower rate from New Orleans than he gave the line from New York.

Mr. SHACKLEFORD. Do you think he would allow that?

Mr. WALKER. I can not tell you.

Mr. SHACKLEFORD. Is there any business that goes from New Orleans to San Francisco by way of the Isthmus?

Mr. WALKER. No, sir; the United Fruit Company charter Norwegian and English vessels, and anything they can get. Foreign vessels can not carry cargo from a port in the United States destined to another port in the United States.

Mr. MANN. There is nothing now to keep them from running from New Orleans to the Isthmus?

Mr. WALKER. No, sir; but that business can not go through. They can not compete with the Southern Pacific.

Mr. MANN. That is what I understand. They can not compete with the Southern Pacific, but there is nothing to keep them from shipping to the Isthmus?

Mr. WALKER. No, sir; the law prevents them from shipping from New Orleans to San Francisco except in an American bottom.

Mr. MANN. Give us some idea of the insurance rates. Of course, there is no insurance rate on the transcontinental railroads.

Mr. WALKER. There is a net rate by our line of about one-half of 1 per cent from New York to San Francisco. I think it is nine-sixteenths.

Mr. MANN. Have you any idea how much that would average per hundred pounds?

Mr. WALKER. I can not tell. It changes with the value of every article shipped.

Mr. MANN. I understand; but you gave us the average freight rate and I wondered if you had any idea of the average insurance rate.

Mr. WALKER. I have no idea of the average value of our cargoes. I suppose you could find out from the reports from the custom-house, but I have never looked it up.

Mr. MANN. You make the rate from New York to San Francisco?

Mr. WALKER. The Panama Railroad; yes, sir. I do.

Mr. MANN. The Panama Railroad? Does the Pacific Mail make the rate from San Francisco to New York?

Mr. WALKER. Yes, sir; they do.

Mr. MANN. Absolutely?

Mr. WALKER. Yes, sir. We have agreed on a set of tariffs that are satisfactory.

Mr. MANN. With power to modify them?

Mr. WALKER. Yes, sir.

Mr. SHACKLEFORD. Who are "we?"

Mr. WALKER. Either line, reciprocally. They reduce the rate there when it is necessary, and we reduce the rate of freight here when it is necessary.

Mr. SHACKLEFORD. You can not make a rate from San Francisco to New York?

Mr. WALKER. No, sir.

Mr. SHACKLEFORD. And they can not make a rate from New York to San Francisco?

Mr. WALKER. No, sir.

Mr. LOVERING. The rates are the same?

Mr. WALKER. Going both ways?

Mr. LOVERING. Yes.

Mr. WALKER. Not necessarily; no, sir.

Mr. MANN. Even if you base your rates upon the transcontinental railroad rates, making so much of a discount from them, still when you have to reduce your rates in order to get business the rates would not be the same the two ways?

Mr. WALKER. Not necessarily; no, sir.

Mr. MANN. Do they make a reduction on rates?

Mr. WALKER. The Pacific Mail?

Mr. MANN. Yes.

Mr. WALKER. No, sir; they publish a regular tariff rate which, on wine, for instance, is 55 cents a hundred pounds. Now, if I remember correctly, the all-rail rate is 75 cents a hundred pounds. That is 20 cents a hundred pounds more, so that our rate is more than 20 per cent less than the rate all rail, or rail and water rate via New Orleans.

Mr. MANN. The Pacific Mail being controlled by the Southern Pacific, and the Southern Pacific being controlled by the Union Pacific, and then the Pacific Mail having the power to make the rate from San Francisco east, do you think there is any tendency to keep up rates on that account?

Mr. WALKER. Well, I should suppose that that consideration would be in the mind of the man that makes the rates. But we had a difference with the Pacific Mail four years ago, and they lost over \$300,000 as a result of that, and they do not want to have the same thing over again. So that they give us just about as much freight as we have so far been able to handle. In other words, in 1897 their business to New York from San Francisco was about 12,000 tons, and all the persuasion we could give them would not make them increase it materially until we were about to give them a notice that we would not go on with the contract, and so, during the last year of that contract they ran up to quite a respectable figure. I wanted to get up to about 36,000 tons a year, and after the rate war of eighteen months duration our two companies came together in the present contract, and they have taken the business and have accepted our suggestions. Last year the business they gave us was 30,000 tons.

Mr. MANN. What do you mean by "30,000 tons?"

Mr. WALKER. I mean they gave us 30,000 tons of cargo from San Francisco to New York.

Mr. MANN. I understood you to say a while ago that the total freight carried was 400,000 tons.

Mr. WALKER. The San Francisco business is only one-fifth of the business that the railroad does.

Mr. MANN. I understood from what was said this morning that the percentage of that business was 55 per cent.

Mr. WALKER. You have confused the large business with Mexico and Central America to and from New York and Europe.

Mr. MANN. I understood that it was stated that that was the amount that you got with the Pacific Mail Steamship Company?

Mr. WALKER. Yes; but the Pacific Mail—

Mr. MANN. That is what I am asking you now, about the business that you get from the Pacific Mail Steamship Company.

Mr. WALKER. We were talking about San Francisco rates, as I understood it.

Mr. MANN. I beg you pardon me. I did speak of the San Francisco rate, but I meant the total of the business.

Mr. WALKER. Taking the whole of the business of the Isthmus, a very large amount of it the Pacific Mail Steamship Company brings to us from Central America, and it goes to Europe, and when we

speak of 55 per cent of the business being in connection with the Pacific Mail, that is 55 per cent of the Isthmus through traffic.

Mr. MANN. Mr. Drake spoke of 55 per cent of the business in connection with the Pacific Mail, and in connection with Pacific coast points to New York. At least, that is what I understood. That was not what he meant? There is not 55 per cent of the business that goes around to Pacific coast points through your steamship line and goes up to New York?

Mr. WALKER. I do not think I follow that question.

Mr. MANN. Mr. Drake stated that 55 per cent of the business you carried from Colon to New York, as I understood him——

Mr. WALKER. With the business of the Pacific Mail connection?

Mr. MANN. No, sir; of the business that you carried on your steamship line from Colon to New York; that 55 per cent was over half of the total business.

Mr. WALKER. I think that in response to that Mr. Drake testified that 50 per cent of the through business of the railroad was done by the company's own steamships, and that 55 per cent of the business done by the railroad was done in connection with the Pacific Mail Steamship Company.

Mr. DRAKE. That is right.

Mr. WALKER. As a matter of fact, our business last year—the steamship business—was 48 per cent of the through tonnage across the railroad.

Mr. MANN. What do you mean by the “through tonnage?”

Mr. WALKER. Not including business between Panama and Colon—the local business.

Mr. MANN. Do you mean the business emanating from the Pacific Mail and ending on your line?

Mr. WALKER. No, sir; business starting with our line from station to station between Panama and Colon. There is quite a lot of that.

Mr. MANN. When you say that you could not carry any more business, or that they could not furnish you any more business, the board of directors could pass a resolution to provide two new vessels?

Mr. WALKER. Yes, sir.

Mr. MANN. Was that with the view of taking care of increased business?

Mr. WALKER. That was the idea.

Mr. MANN. Or in connection with helping you out?

Mr. WALKER. The whole business of the Isthmus route can be increased.

Mr. MANN. If you had two new vessels from Colon to New York, and made a proper rate, do you think those vessels could get all the business they could carry?

Mr. WALKER. Without doubt.

Mr. MANN. If we should, in addition to that, put a line on the Pacific, would we get more business at a low rate or would we lose business by losing the Pacific Mail line?

Mr. WALKER. If you put a line on the Pacific and run it regularly, you can wipe the transcontinental lines off the face of the United States.

Mr. MANN. If you make the rates regular?

Mr. WALKER. You can not leave your barrels of wine on the Isthmus over a week, in that climate, though.

MR. MANN. You mean by handling things up to date?

MR. WALKER. Yes, sir; and giving them thirty-six days from New York to San Francisco, which is pretty near as good as the Canadian Pacific can give, we would get a great deal more freight.

MR. ESCH. What is the average time for freight by rail from New York to San Francisco?

MR. WALKER. I do not know what the average time is. The best time I ever heard of, outside of green fruit, was eleven days. When they had yellow fever in New Orleans, and the business was driven away from there to the Union Pacific, those fellows got the business across in fourteen days, as they wanted to keep it. The Southern Pacific had to push pretty hard when New Orleans opened up again to recover the patronage, and they got their time down to eleven days. But I guess it is more likely to be twenty-one days than eleven days. I do not know what the average time is, really.

MR. DRAKE. I understand the average time is eighteen days. That is between the limits of eleven days and thirty-five days.

MR. WALKER. I think I heard some one say the other day, in reading from the contract with the Pacific Mail Steamship Company, that they ran three steamers a month. That is the minimum which they can put on. But as illustrative of their willingness to help us out they are running regularly once a week. Our steamer is supposed to reach the Isthmus on Tuesday, and the freight should go by the next Tuesday on their steamer on the other side, and their freight, due at the Isthmus on the other side Sunday, should take our steamer, not on Wednesday, but the next Wednesday, on our side, so as to make a regular service between the ports of thirty-six days. When we run that way there is more demand for space, because the wine merchants in New York will calculate on getting, every week, so many barrels of wine, just enough to fill up their cellars and keep things just to their satisfaction, and they will not have to pay extra storage rates.

MR. STEVENS. Can you not handle that stuff across the Isthmus in less than a week?

MR. WALKER. We do when the steamers connect that way. For instance, we carry freight from New York to connect with the south carrier which should leave Panama on Thursday, and we get that across the Isthmus either on Thursday, or they wait until Friday to take it. We do a large business in that way with Ecuador.

MR. STEVENS. So that you can make close connections?

MR. WALKER. Yes, sir.

MR. DRAKE. We can make it in two days, with proper equipment and connections.

MR. MANN. What would be the facilities if we should run a line from Colon to New Orleans?

MR. WALKER. Well, I think we would get some of the wine business, which is a very large traffic in New Orleans.

MR. MANN. Is there any possibility of your getting any portion of the fruit business?

MR. WALKER. Absolutely none. Dried fruit, do you mean?

MR. MANN. I do not mean from California, but I mean from down there, which is now carried by the United Fruit Company's line.

MR. WALKER. No, sir; they do not take anything from Colon.

MR. MANN. They do take something from Colon, do they not?

MR. WALKER. Not a thing.

Mr. MANN. Do they not touch at Colon?

Mr. WALKER. Yes, sir.

Mr. MANN. Do they not take up freight there?

Mr. WALKER. No, sir. They go off to their own plantations at Limon, and fill up there.

Mr. MANN. When we were there we were told that they did.

Mr. WALKER. Well, they do not. That is, they do not accept any through freight from us.

Mr. DRAKE. They did; but they do not now.

Mr. WALKER. When they wrote about the matter of the quarantine I asked about that, and they were not prepared to do it.

Mr. MANN. Is there not quite a fruit belt on the Pacific side?

Mr. WALKER. On the Pacific side?

Mr. MANN. Yes.

Mr. WALKER. No, sir; the fruit belt is on the Atlantic side.

Mr. MANN. You would not take that up; but is there not fruit on the Pacific side?

Mr. WALKER. No, sir; there is nothing raised there. There is no market.

Mr. MANN. That is what I mean. If you had a line so that they could get across there, there would be a market, then?

Mr. WALKER. You speak of fruit. I suppose you mean bananas, particularly?

Mr. MANN. Bananas and pineapples.

Mr. WALKER. Pineapples, I should think, would be shipped all right in crates; but I do not believe that bananas can be produced on the Pacific coast and shipped to Panama and rehandled across into another ship and put into New York at any profit. New York is going to get its banana supply from Port Limon and Jamaica and places from which it can be readily shipped.

Mr. MANN. I was thinking of New Orleans, and not of New York.

Mr. WALKER. There is the same thing at New Orleans. The United Fruit Company are established in the banana business—that is their first business—and they merely take the freight down to Colon because that gives them a freight out. It is the same way with one of the lines from Europe.

Mr. MANN. You never have considered it advisable to cater to the banana strip along the Panama Railroad, or to give them any reasonably low local freight rates?

Mr. WALKER. We have coddled that business from its inception, and we get less money on that than anything we handle on the line.

Mr. MANN. I should think so, judging from the rates you have on it, for I must say, with due respect to your road, I never heard of such high tariffs as were given us down there on local rates and local business.

Mr. WALKER. The rate on bananas from the line of the road to Colon was one-quarter of a cent a pound, silver, that is, one-eighth of a cent a pound, gold, and you could not get that rate on any railroad anywhere in the United States. Somebody must have shown you, not the special tariff that was provided for that particular business, but what they call the gold tariff, which was for the transit of the whole Isthmus, or between points on the Isthmus, and which was made in 1892 to govern all traffic except the local productions of the Isthmus.

Mr. MANN. Now, I talked with a good many people down there about the local business, and I did not find a single one——

Mr. WALKER. Are you speaking of bananas?

Mr. MANN. I am speaking of bananas, and other classes of business, too. I did not find a single person who did not make bitter complaint about the fact that your local rates were so high as to indicate that you did not care to do any local business.

Mr. WALKER. Well, the local rates——

Mr. MANN. And I supposed if that was the case you did not care to be bothered about it.

Mr. WALKER. I will tell you this, that the local rates have been changed since you were down there. They were under discussion when you were there. They have been under discussion for about three years at least. The old tariff of 1892 was allowed to drift on because every time we went near Colombia it was a question of "What will you give up for this, and that, and the other thing?" and that old tariff needed adjustment. For instance, we carried liquors for about 40 cents a hundred pounds, and on groceries we charged \$1.20 a hundred pounds.

Mr. ESCU. Silver?

Mr. WALKER. No, sir; gold. Now, if there was to be a distinction between the two, the liquors certainly should have paid the highest rate. I suppose the man who made that tariff had a partiality for the particular kind of traffic. I do not know what else caused it. It was a good while ago, and it is not in evidence, but in 1892 the local chamber of commerce at Panama took up the question of agriculture on the Isthmus, and the net silver tariff was issued. I have it here in this book, and I will read it if you want it.

Mr. MANN. Take the figures that you have just given, 12 cents a hundred on bananas for a local rate for probably 15 miles; in contradistinction to that you are willing still to make a rate from New York to San Francisco, with the two transfers at the Isthmus, of 40 cents.

Mr. WALKER. Not on bananas.

Mr. MANN. Not on bananas, but on something else. I must say that your local rate is still high.

Mr. WALKER. A transportation line can afford to carry lead at 40 cents a hundred pounds in a steamship, because she can be given nearly her full dead weight capacity of lead, and then you can pile in sea-island cotton on top of the lead, and it is just so much extra freight.

Mr. MANN. But we are not talking about lead or sea-island cotton.

Mr. WALKER. You were speaking of my 40-cent rate between San Francisco and New York. That is the rate on lead. Now, I can put 100 tons of lead in my ship, and fill her up with everything else, and that makes 100 tons more of cargo than if the lead was not there. The lead takes up practically no room in the ship.

Mr. MANN. But your average rate is what—a little over 60 cents?

Mr. WALKER. Yes; 60 cents from here out.

Mr. MANN. Those are average rates?

Mr. WALKER. Of course you understand that a transportation line can not take the lowest rate that it gets on any commodity that it handles, and apply that to all its business.

Mr. ADAMSON. You can carry 100 pounds of lead from here to the

Isthmus as cheaply as you can carry 10 pounds of bananas across the Isthmus?

MR. WALKER. That is about the size of it. Now, as to the banana business on the Isthmus, what has made the particular trouble about that thing is the wish of the banana interests for our steamship lines to coddle it further. They have been at us to reduce the rates to New York, and I have explained to them over and over again that we can not afford to sacrifice our room to bananas. They want 160 feet in the ship for a ton of bananas, and we must pile them only 3 bunches high, and they must have nothing over that—all that open space, in order that those bananas may be in good condition. Now, I can put 4 tons of sugar in the same room that is required for a ton of bananas, and Peruvian sugar would pay from \$4 to \$5 a ton.

MR. MANN. Of course you can. But it seems to me that either way proves that the freight rate is too high, or the freight rate is too low, as compared with your other rates. Do you or not want the business?

MR. WALKER. In the handling of corporations it has been my business to figure so as to get the greatest amount of revenue that the traffic would yield.

MR. MANN. Do you or not want to be bothered with the local business on the railroad down there?

MR. WALKER. Yes, sir. I have tried to knock out the mules and the cayucas—the mules from Panama and the boats on the river from Colon which have largely supplied carriage to nearby towns along the railroad—but they are still running. That tariff went into effect on the 1st of February, and where the rate was 60 cents I cut it down to 20 cents for a distance of 15 miles out on the road. I have graded the rates all across on the roads. I had partially in mind when I worked that tariff out an old tariff that the Georgia legislature put out, with which I used to be familiar, and I took the classifications that were in effect that we had agreed upon with the lines from Europe, and I took the trunk line tariff used by the great railroads out of New York as a guide to proper rates for light goods charged by weight instead of by measure, as do steamers; so that I could make a weight rate across the Isthmus on everything. And I tried to be as fair as I could to those fellows.

MR. MANN. You have made a very material reduction.

MR. WALKER. Yes, sir.

MR. MANN. Since this committee was in the Isthmus?

MR. WALKER. Yes; an entire change. I can not tell how it is going to work out on the entire distance across.

MR. ADAMSON. They told us that you charged \$10 a thousand on lumber from Colon. Do you charge that yet?

MR. WALKER. There are two rates on lumber. Pine lumber less than an inch thick is third class, and pine lumber more than an inch in thickness is fourth class. The fourth-class rate from Colon to Panama is 30 cents a hundred pounds. The new tariff makes timber in carloads from \$3 to \$5 per ton, varying with the distance.

MR. ADAMSON. \$10 a thousand feet?

MR. MANN. \$10 a ton.

MR. WALKER. I expect we are going to find discrepancies in this tariff, because I discarded the old one and made this up by considering these various tariffs that I have spoken of, and I have sent word

to the Isthmus to draw my attention to anything which is out of the way in it, as we would keep the type set up, so that we could correct it, because I expected some classes would advance rates, and others would reduce them. One item that has been brought particularly to my attention is kerosene oil, and that rate has dropped from 80 cents a case to 55 cents from New York to Panama, the reduction coming out of the railroad. It was made because I found that the trunk lines out of New York classified the oil, case oil in carload lots, as fourth class, and it was made fourth class, which is an illustration.

Mr. ADAMSON. Is the lumber good to handle on your steamships?

Mr. WALKER. Yes; it is very good freight, if not of very great length. Some of that Georgia lumber is 50 feet long, and that is pretty bad to handle.

Mr. ADAMSON. I want to get at the effect on the operation of your railroad company of that schedule that was enacted by the Georgia legislature.

Mr. WALKER. I was the New York agent of the Central Railroad of Georgia for eight years, and I was with them for twenty-three years, and of course I dealt only with the through rates, and that legislation just stopped the Central Railroad of Georgia from building two fine ships that they had planned. They said "If the legislature is going to tell us that we must carry fertilizers for so much, because the farmers need them and regardless of cost of transportation, we will quit." That was the effect of it.

Mr. LOVERING. You said when you undertook to alter the schedules heretofore you ran up against Colombia. What do you mean by that?

Mr. WALKER. Every time we wanted to do anything, to make any change in existing practices, Colombia would see some reason for asking for some kind of a concession, saying that it must be worth something or other, and that we should pay for every change we wanted to make. That was the theory of it. And we had to notify the Government when we made a change in the tariff.

Mr. LOVERING. Did you ever have to pay for anything?

Mr. WALKER. Not in connection with the tariff. I was not with them at the time they had paid before.

Mr. MANN. Did you have to obtain their consent to make a reduction in a tariff rate?

Mr. WALKER. No, sir; we had a right to change the tariff, but we gave them thirty days' notice that it was changed, under the contract between the Colombian Government and the Panama Railroad Company. I forget what article it is.

Mr. MANN. If you had a right to change the tariff, how could they hold you up?

Mr. WALKER. We could not change the tariff up and down just as we pleased. We could not go above some figures that had been agreed upon when the concession was made which allowed us to through bill freight.

Mr. MANN. But you could reduce the tariff?

Mr. WALKER. We had to give the same thirty days' notice.

Mr. MANN. They could not hold you up if you wanted to reduce the tariff?

Mr. WALKER. As I said, I wanted, when I altered that tariff, to readjust it, to advance some rates and to lower other rates, to get

them in a proper proportion, the rates one with the other, as we had in the United States.

Mr. MANN. It will be news to this committee, which has been hearing testimony about rate legislation for a long time, to know that the railroad rates in the United States have a proper relation to each other. We have been told so often by so many people that it was not so.

Mr. WALKER. That is my experience. I have been thirty-three years in the transportation business now—steamships and railroads—and, of course, the question of rates is a mere question of what the traffic will stand. That is the basis of getting at a rate.

Mr. MANN. Of course.

Mr. WALKER. But you certainly do not expect to carry a pound of feathers for the rate of a pound of lead. The railroad rates for light goods are proportionately higher. They are put in higher classes than the heavy freight that is going in the low classes.

Mr. LOVERING. That does not hold true.

Mr. WALKER. I did not understand you, sir.

Mr. LOVERING. That does not hold true.

Mr. WALKER. Not absolutely, but that is an aim. I have always had a curious sort of theory on the question of freight rates that you would really get a just tariff by charging so much a hundred pounds for weighty goods, and a rate for space occupied by light goods, besides a separate additional charge, a percentage on the value of the goods. That is not practicable, of course, but I mean that I have often thought of it.

Mr. LOVERING. Suppose you were transporting cotton at a density of 35 pounds or 20 pounds to the cubic foot?

Mr. WALKER. I do not think they make a difference on the rates.

Mr. LOVERING. Why should they not, on that?

Mr. WALKER. Between compressed cotton and uncompressed cotton?

Mr. LOVERING. Why should they not, under your theory?

Mr. WALKER. They ought to, under that theory. My theory would correct the inequalities of that thing.

Mr. ESCH. Does the steamship company have the same right to make a rebate in its territory around San Francisco as you have in the country around New York?

Mr. WALKER. They could make the rates that way if they chose to.

Mr. ESCH. How much do they exercise that right?

Mr. WALKER. They do not do it at all.

Mr. ESCH. Your wine all originates in San Francisco?

Mr. WALKER. Yes, sir. It either is there or shippers bring it in themselves. The rate, 20 per cent lower than the transcontinental rate, makes it 60 cents. Pacific Mail Steamship Company make it 55 cents, which gives the wine 5 cents to get in from somewhere near by, or something of that sort.

Mr. LOVERING. Have you any reason to believe that the business of the Panama Railroad will be of any considerable proportions—will continue to be—after the canal is constructed or operated?

Mr. WALKER. My feeling is that the road will do a great deal more business than it does now. My feeling has always been that it is likely to be turned into an electric traction road.

Mr. LOVERING. Will you not please state why?

Mr. WALKER. Because I think that the building of the canal on the Isthmus is going to develop the country, and with the development the populace there will require facilities for getting about and moving freight, and that the local tariff will keep up the road. And of course among the local traffic I should consider the passengers who go there in steamers, going through, and who will prefer to travel across the Isthmus by rail instead of staying on the steamer. After a three weeks' voyage on a vessel I think almost anyone would like to take a little trip on shore, and they could go across the Isthmus in an hour and wait there and see Panama, which is an interesting old town, and get on the steamer when it came along.

Mr. ADAMSON. Do you not think it will be necessary for the railroad to do all of the local freight business?

Mr. WALKER. Yes, sir; I think so. I do not imagine that the business—the local business—will be allowed on the canal at all. It would interfere with the navigation of the canal.

Mr. LOVERING. Will there not be a great deal of freight come to Colon that will break bulk at that point?

Mr. WALKER. I do not know what to think about that. The canal is likely to change the whole course of business absolutely. I was trying to get some statistics a few years ago as to what volume of traffic was likely to seek the canal from the United States, from the gulf ports, and the eastern ports, and where it would be distributed, how much of the business which now comes out through Memphis and the other gateways of the South to the Pacific coast and thence to China and Japan could be diverted down that way, and in the search for matter I went to a statistician who placed before me figures made some twenty years before, and they stated that there was at that time a great deal of business in Chile that took sailing vessels. It never could go to the Isthmus, because of the lack of wind in the neighborhood of Panama, and the traffic could not afford to pay steamer freights. I was then hauling that class of freight from down there by steamer at the rate of 40,000 tons in the year—sugar. Twenty years ahead a man can not tell what will happen. Here were steamers so constructed that they could carry the freight profitably at lower rates than sailing vessels were ready to take it at twenty years before.

It seems to me that lines which now distribute traffic all along in the West Indies may continue just that kind of business, and I think the Royal Mail Steamship Company, for instance, running from Southampton to the West Indies, if they found 100 tons of freight they could take out and land at Colon, would do it. And they might find some freight running up and down to Valparaiso, and they would take that, and then there might be other lines established from New York down to Valparaiso, and other lines that would go up to San Francisco, and it seems to me that is the natural way that business would change. The canal will make all-water transportation.

Now, I would like to say some few words on my own account, if I may be permitted to do so.

The CHAIRMAN. Certainly.

Mr. WALKER. This is on the subject of the steamship line, and its value to the railroad, and the necessity for an office in New York, if the steamship line is to run.

During the year 1904 the tonnage moved by the Panama Railroad Company was, in round numbers, 409,000 tons. Of this, 326,000 tons was through traffic, and our steamship line carried 48 per cent of it—156,000 tons. The traffic between New York and San Francisco in both directions was 69,565 tons. In 1897 the total traffic was only 290,651 tons; the through traffic was 241,044 tons. The steamship line had 35½ per cent of it, making 85,186 tons; and business between New York and San Francisco was 43,864 tons. This growth I consider the direct result of the dominating policy which the steamship line enables the railroad to maintain, with a terminal in New York. To operate the railroad as a mere link between Colon and Panama, however low the rate for the transit, would be giving up all control of through rates and the movement of cargo from the Isthmus. When cargo is landed on one side of the Isthmus, steamers are not necessarily waiting to receive it on the other side. Some lines from Colon to Europe touch there but once a month, and at times these, and others with more frequent sailings, are unable to move accumulations, having filled space at previous ports of call. After years of controversy, we finally secured the adoption by all lines operating via the Isthmus of a uniform bill of lading which gives us the right to divert cargo from the consigned line if not taken forward by the first steamer scheduled to sail after the cargo is ready for forwarding. There are eight lines to Europe which touch at Colon. Seven of these in recent years have joined in a conference covering their terminal ports, Liverpool, London, Havre, Antwerp, Southampton, Hamburg, Barcelona, Bordeaux, Marseille, Genoa, and territory contiguous to each for the purpose of placing all the ports on an equality as to through rates, and respecting each other's territory. It is conceivable that any one of these lines would refuse to receive from us freight consigned to another, were it not that we can now ship to New York by our own line, and distribute thence all over Europe. The Atlantic lines fear the popularity of a route via New York, so that they watch the situation closely and put on extra steamers when necessary to keep our cars, wharves, and warehouses free. The through tariffs are agreed upon by all at interest, the through rates to and from different ports on the Pacific varying directly with the degree of competition, particularly competition by steamers via the Straits of Magellan. Each carrier via the Isthmus receives fixed percentages of the through rates, and the right is conceded to initial carriers to make special rates down to fixed minima, whenever the exigencies of the competition require immediate action. If the railroad fixes a set of arbitrary rates for the transit of the Isthmus, one of two contingencies would result:

First, if the figures make a fair division of the through rates to and from ports immediately north and south of Panama, they would be too high for business to and from the Pacific coast of the United States to the north, and Chile to the south, and those countries would be shut off from the benefits of the Isthmus route.

Second, if the figures are made low enough to attract business to and from the countries far from Panama, the through rates will not be affected, but the steamship companies will absorb the reduction. Such was the result when Mr. Charles de Lesseps inaugurated the policy for Central America in 1887, and it hampered the relations of

the railroad with the connections until we broke with the Pacific Mail in 1900. As a matter of fact the through business passing across the Isthmus between the Atlantic and Pacific ports of the United States is only 21 per cent of the entire through business. On the remaining four-fifths the freights are paid by the peoples of Mexico, Central America, and South America at competitive rates, and I fail to see why we, the citizens of the United States, should propose to tax ourselves for the benefit of our neighbors when we have a valuable property in the Panama railroad and steamship line which can be developed for the benefit of all at reasonable rates, and at the same time make earnings to offset some of the expenses which fall upon our country for canal construction. It has been suggested that the three steamers belonging to the Panama Railroad should be leased or sold, the purchaser to agree to maintain a line and carry Government freight and passengers between New York and Colon at specified reasonable rates. Furthermore, that if the United States went out of the ocean transportation business, active competition would result to the Isthmus and to San Francisco, and that foreign vessels would compete for the way freight. The comparatively low rates between New York and San Francisco now forced upon the Isthmus route would not be attractive to American capital, except for the hope of combining San Francisco tonnage with other better-paying freights. Two lines, or one interest on both sides of the Isthmus, would have to make reciprocal arrangements for exchanging traffic, probably excluding connection with any other line. Regular and close connection is essential to San Francisco merchants. They expect shipments to be not more than 36 days en route. Oils and wines are seriously damaged by delay in the hot, moist climate of the Isthmus.

The Panama Railroad, having relinquished all control on the ocean, would have no power to regulate through rates. With the present organization it is a simple matter to charter additional vessels on the Atlantic and on the Pacific, as we did in 1901, to have the power of absolute control. Our action at that time created a wholesome regard for us in all of our connections, and our views are now heard by them with due consideration. As we have the authority to make all through rates out of New York, and as the European conference lines have adopted the policy of making the same rates from Europe, our commanding position as the regulator of rates is apparent. My experience of thirty-two years in the railroad and steamship business has always been that railroads reaching the Atlantic coast south of New York needed to control steamship connections to that city as an outlet, and the Panama Railroad to Colon is no exception. It would be a great mistake to dispose of the steamers and lose the control for which the company's officers have striven so long.

As to the chartering of foreign vessels to carry Government freight to Colon, we have already chartered room at favorable rates on one or two steamers as may be necessary to carry a large shipment of bulky packages which could not be transported by any of our steamers or by the steamships of other American lines running to the West Indies. The business from Europe to Colon is done by steamers which make many other calls about the West Indies. If the Panama Railroad gives up its regular service, steamship owners might find business profitable with Colon only in a similar manner. The direct service heretofore has been profitable from its concentration on one

line. Herein has also lain the ability of the private line between Panama and San Francisco to obtain sufficient business to keep the steamers employed. Should several lines touch Colon, they would ultimately work in concert, as is done by the lines from Europe. The foreign steamers of the United Fruit Company from New Orleans, and the Leyland and the Harrison lines from Liverpool, take freight to Colon as an incident of their voyage to other ports for which outward freight is not obtainable, and where they secure more desirable homeward freight than can be had from Colon, where they load little or nothing. The result is an irregular and unsatisfactory passenger service to New Orleans by the United Fruit Company, sometimes of ten days' duration. They make the trip to Colon in five days, carry Government employees at half rate, making the charge the same as ours from New York, which is one-third of our regular rate. I am confident that such a reduction by the United Fruit Company would not have been made except to keep pace with us. We encouraged the United Fruit Company to run to Colon, and gave them the benefit of all the arrangements for through freights that the Panama Railroad Company enjoys, with connections beyond Panama, and I think the future policy should be to give other lines that may be desirous of the railroad connection equal facilities, without, however, giving up the controlling influence to be exercised by the company's steamship line.

If the steamships are retained in service, it follows naturally that a wharf and office must be maintained in New York, where 48 per cent of the railroad's through traffic originates or is delivered to consignees, and where freights are prepaid and collected, except on those goods shipped to San Francisco, freight to be collected at destination. All freight to way ports is prepaid. If any office is maintained in the money center, and equidistant by the mails for accounting from San Francisco, Europe, and the Isthmus.

Mr. MANN. Can any of you gentlemen tell me if you have in these hearings gone into the question of how you collect freights?

Mr. WALKER. I have not heard anyone say a word about that.

Mr. MANN. How do you do that?

Mr. WALKER. We collect the freight from the shipper in New York when we deliver a bill of lading.

Mr. MANN. That is easy enough, of course, on freight originating or terminating in New York, but how about the other?

Mr. WALKER. In Europe our connections collect the entire freight from the shipper or consignee, not allowing anybody on the Pacific coast to handle the money of the companies, except as to passage money. The only exception is San Francisco. The European lines have arranged to send freight to San Francisco "collect," when it is desired.

Mr. MANN. Is any of the through rate, in any event, collected on the Isthmus?

Mr. WALKER. Not as a rule. There have been exceptions, when we knew a man, and for some particular reason I have asked our superintendent to get the money from him. It is done on the Isthmus now for employees of the Commission.

Mr. MANN. I mean on through freights?

Mr. WALKER. Oh, no; not a dollar of through freight is ever settled on the Isthmus.

Mr. MANN. Not a dollar is settled there. It is all collected through the New York office?

Mr. WALKER. Yes, sir; the whole business of accounting and adjustment. Freights coming from the south of Panama to New York are collected by us at New York, and the proportion belonging to the carriers south is paid to their agents in New York.

Mr. MANN. If you had an office on the Isthmus, and attempted to collect freight there, you would have to collect it in the same manner as you do now in New York, except that it would be that much farther away?

Mr. WALKER. That much farther away from the center of the money transaction.

Mr. MANN. The fact that the freight goes through there would not make it any nearer, so far as the collection of money is concerned?

Mr. WALKER. No, sir; you have got to have an office somewhere. We are doing business with half the globe, 3,000 miles from San Francisco, and about 3,000 miles the other way, and New York is as central as any place you can get.

Mr. MANN. Mr. Drake, will you have a copy of the minutes of the meetings of the board of directors since the members of the Isthmian Canal Commission became members of the board made for us? If we should want a copy of the minutes of the executive committee for some time we will ask for it. The minutes of the board of directors are not very long, and I would like to have a copy of them.

Mr. DRAKE. Yes, sir; I will furnish a copy.

Mr. MANN. Will you send me tariffs?

Mr. WALKER. If you will tell me what tariffs you would like to have, I will get them together and send you all you want.

Mr. MANN. Your published tariffs?

Mr. WALKER. We have a great many. This book is full of them [indicating scrap book]. It is a most complex thing.

Mr. MANN. Why do you not make a tariff so that if a man wants to find out something, he will not have to look it all up?

Mr. WALKER. We do. If a man comes into the office for a tariff on freight to San Francisco, we give it to him. There is no use in giving him the tariff on freight to South America, because he does not want that.

Mr. MANN. What I want is the tariffs on transcontinental business. There is no use in having the tariffs to Europe and South America.

(Thereupon the committee adjourned.)

EXTRACTS FROM ANNUAL REPORTS OF THE PANAMA RAILROAD COMPANY.

[Extracts from the report of the Panama Railroad Company, 1877.]

Statement showing number of passengers transported over the Panama Railroad for the years 1876 and 1877.

	1876.				1877.			
	To Panama.		To Aspinwall.		To Panama.		To Aspinwall.	
	Through.	Way.	Through.	Way.	Through.	Way.	Through.	Way.
January.....	496	458	268	471	405	479	186	481
February.....	560	546	181	523	412	532	211	468
March.....	600	632	432	646	385	636	279	556
April.....	406	769	272	772	486	678	300	553
May.....	615	729	579	704	367	627	524	516
June.....	384	736	383	838	383	665	211	590
July.....	563	610	207	687	317	556	325	516
August.....	304	452	363	463	425	634	242	626
September.....	698	373	298	386	447	631	188	602
October.....	485	463	304	447	348	715	242	629
November.....	592	275	200	261	365	642	151	509
December.....	458	434	184	433	331	810	159	767
Total.....	6,161	6,477	3,671	6,631	4,671	7,605	3,021	6,813

B. MOZLEY,
General Superintendent.

Statement of earnings and expenses for the year ending December 31, 1877.

EARNINGS.

Freight:	
From Aspinwall to Panama.....	\$763,580.38
From Panama to Aspinwall.....	712,768.44
Treasure.....	15,957.51
Mail.....	14,888.90
Gross freight earnings.....	\$1,507,195.23
Passengers:	
From Aspinwall to Panama.....	99,961.35
From Panama to Aspinwall.....	67,742.90
Gross passenger earnings.....	167,704.25
Miscellaneous receipts:	
Interest and exchange.....	83,504.30
Lighterage.....	130,667.92
Water from Taboga and water at Aspinwall.....	32,625.93
Leases and rents, ballast, wharfage, light dues, telegraph, etc.....	66,433.18
Total gross earnings.....	1,988,130.81

EXPENSES.

Interest on bonds.....	\$209,468.19	
Subsidy to Colombian Government.....	250,000.00	
Total expenses on the Isthmus, for lighter- age, salaries, fuel, supplies, repairs, etc..	\$401,461.68	
Charges account.....	19,021.73	
Drawback on Colombian produce.....	12,500.07	
Lost and damaged freight.....	6,562.65	
Freight on stores.....	2,863.98	
Office expenses in New York.....	14,569.14	
	<u>456,979.25</u>	\$916,447.44
Net earnings.....		1,071,683.37

NOTE.—Previously the lighterage account has been kept separately, and only the net profits have been included in the reports. In the above statement the gross receipts of lighterage appear in the earnings, and the gross expenses per contra, thus accounting for an apparent increase in operating expenses.

Treasurer's statement, December 31, 1877.

ASSETS.

Cash in bank.....	\$42,823.46
Funds in England.....	47,120.00
Due from connecting lines.....	284,594.66
Bills receivable.....	300,781.25
Colombian Government—advance of subsidy.....	263,538.00
Due from sinking fund.....	56,267.30
Investment in Panama Railroad Company stock, 900 shares.....	112,500.00
Petty cash.....	90.94
Interest due.....	4,083.33
	<u>1,111,798.94</u>

LIABILITIES.

Loans.....	\$150,000.00	
Drawbacks on Colombian produce.....	3,500.00	
Isthmus drafts.....	7,149.06	
	<u>160,649.06</u>	
Surplus.....		951,149.88

SINKING FUND.

DECEMBER 31, 1877.

The bonded indebtedness of the company consists of 2,989 7 per cent sterling bonds of £200 each, equal to £597,800 (about \$2,905,308), all due in 1897, to meet which the company have the following sinking fund:

195 Panama 7 per cent ster- ling bonds, cost.....	\$178,255.01	Due to Panama Railroad Company.....	\$56,267.30
Panama stock, 1,500 shares, cost.....	153,690.37	Sinking fund.....	675,678.08
Six Pacific mail steamers....	400,000.00		
	<u>731,945.38</u>		<u>731,945.38</u>

[Extracts from Report of Panama Railroad Company for 1878.]

Secretary's statement of earnings and expenses for the year ending December 31, 1878.

EARNINGS.

Freight:		
From Aspinwall to Panama	\$889,722.10	
From Panama to Aspinwall	690,957.97	
On treasure	16,130.30	
For mails	12,749.55	
	<hr/>	
Gross freight earnings		\$1,609,559.92
Passengers:		
From Aspinwall to Panama	81,894.28	
From Panama to Aspinwall	68,248.55	
	<hr/>	150,142.83
		<hr/>
Gross passenger and freight earnings		1,759,702.75
Miscellaneous receipts:		
Interest and exchange	129,764.21	
Ligherage	129,273.42	
Water from Taboga and water at Aspinwall	29,613.54	
Leases and rents, ballast, wharfage, light dues, telegraph, etc	66,505.42	
	<hr/>	355,156.59
		<hr/>
Total gross earnings		2,114,859.34

EXPENSES.

Interest on bonds	\$239,889.02	
Subsidy to Colombian Government	250,000.00	
Total expenses on the Isthmus for ligherage, salaries, fuel, supplies, repairs, etc	496,932.65	
Charges account	13,212.92	
Drawback on Colombian produce	12,932.62	
Lost and damaged freight	3,243.64	
Freight on stores	2,866.91	
Office expenses in New York	16,155.52	
	<hr/>	1,035,233.28
		<hr/>
Net earnings		1,079,626.06

NOTE.—The above item of "Total expenses on the Isthmus" includes \$58,886.88 spent for new cars, and \$43,905.75 for 1,000 tons of steel rails.

Treasurer's statement, December 31, 1878.

ASSETS.

Cash in bank	\$54,084.22
Funds in England	47,118.93
Due from connecting lines	646,963.95
Bills receivable	135,449.25
Colombian Government for advance of subsidy	47,852.82
Due from sinking fund	7,863.46
Investment in Panama stock, 900 shares	112,500.00
Loans on call	115,000.00
Petty cash	110.46
Interest due	28,403.29
	<hr/>
	1,195,346.38

LIABILITIES.

Drawbacks on Colombian produce	\$1, 506. 49	
Isthmus drafts	3, 063. 95	
		\$4, 570. 44
Surplus		1, 190, 775. 94

Besides the above, this company hold steamship property transferred to it February 1, 1878, by the Pacific Mail Steamship Company, for which this company issued sterling bonds amounting to £200,000, say

	1, 000, 000. 00
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SINKING FUND.

DECEMBER 31, 1878.

The bonded indebtedness of the company consists of 3,989 seven per cent sterling bonds of £200 each, equal to £797, 800 (about \$3,877,308), of which the first 2,989 are due in 1897, and the remaining 1,000 (issued February 1, 1878), in ten half-yearly payments of 100 bonds each, beginning on October 10, 1884, and ending on April 10, 1889.

To meet this bonded indebtedness the company have the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178, 255. 01	Due to Panama Railroad Company	\$7, 863. 46
Panama stock, 1,500 shares, cost	153, 690. 37	Sinking fund	724, 081. 92
6 Pacific Mail steamers	400, 000. 00		
	731, 945. 38		731, 945. 38

[Extracts from Report of Panama Railroad Company for 1879.]

Statement of earnings and expenses for the year ending December 31, 1879.

EARNINGS.

Earnings of the road:		
Aspinwall to Panama—		
From freight	\$796, 403. 63	
From treasure	3, 151. 04	
From mails	8, 581. 15	
From passengers	75, 704. 46	
		\$883, 840. 28
Panama to Aspinwall—		
From freight	735, 250. 30	
From treasure	16, 877. 52	
From mails	3, 788. 47	
From passengers	67, 005. 34	
		822, 921. 63
		1, 706, 761. 91
Miscellaneous receipts:		
Interest and exchange	173, 321. 30	
Lighterage	132, 755. 35	
Water supplied shipping	27, 391. 29	
Rental of property, ballast, wharfage, light dues, telegraph, etc	81, 071. 25	
Old rails taken up and shipped to New York prior to December 31, 1879	35, 066. 32	
		449, 605. 51
Total earnings		2, 156, 367. 42

EXPENSES.

Operating expenses on the Isthmus ^a	\$463, 168. 91	
Lost and damaged freight.....	997. 23	
New York office expenses.....	16, 246. 93	
Miscellaneous expenses in New York.....	24, 204. 52	
Total operating expenses	504, 617. 59	
Subsidy to United States of Colombia.....	250, 000. 00	
Drawback on Colombian produce	9, 939. 27	
Interest on bonds	270, 853. 10	
		\$1, 035, 409. 96
Net earnings		1, 120, 957. 46
Dividends paid during the year.....		910, 000. 00

E. Z. PENFIELD, *Accountant.*

Treasurer's statement.

DECEMBER 31, 1879.

ASSETS.

Cash in bank.....	\$10, 400. 27
Cash in London.....	17, 234. 19
Due from connecting steamship lines.....	542, 938. 52
Notes receivable	4, 165. 00
United States of Colombia, for advance of subsidy.....	56, 250. 00
900 shares Panama stock (cost).....	122, 564. 97
Loans on demand	753, 000. 00
Petty cash.....	157. 17
Accrued interest on loans.....	4, 818. 03
	1, 511, 528. 15

LIABILITIES.

Drafts advised.....	\$4, 520. 00
Due sinking fund.....	38, 877. 03
Unpaid bills	6, 208. 14
Accrued interest on bonds	60, 189. 58
	\$109, 794. 75

Surplus.....	1, 401, 733. 40
Surplus December 31, 1878.....	1, 190, 775. 94
	210, 957. 46
Increase for the year.....	210, 957. 46
Besides the above, the company holds steamship property transferred to it 1st February, 1878, by the Pacific Mail Steamship Company, for which this company issued sterling bonds amounting to £200,000, say.....	1, 000, 000. 00

W. J. EMMET, *Treasurer.*

Sinking fund.

DECEMBER 31, 1879.

The bonded indebtedness of the company consists of 3,989 seven per cent sterling bonds of £200 each, equal to £797,800 (say \$3,989,000) of which the first 2,989 are due in 1897, and the remaining 1,000, issued February 1, 1878, in ten half-yearly payments of 100 bonds each, beginning on 10th of October, 1884, and ending on 10th April, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds (cost).....	\$178, 255. 01
1, 500 shares Panama stock (cost).....	153, 690. 37
6 Pacific mail steamers.....	400, 000. 00
Due from Panama Railroad Company.....	38, 877. 03
	770, 822. 41

W. J. EMMET, *Secretary.*

^a Includes \$33,132.43 spent for 1,000 tons steel rails.

[Extracts from the report of the Panama Railroad Company for 1880.]

Statement of earnings and expenses for the year ending December 31, 1880.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight.....	\$788, 681. 49
From treasure.....	1, 167. 26
From mails.....	8, 470. 89
From passengers.....	70, 900. 03
	\$869, 219. 67
Panama to Aspinwall—	
From freight.....	700, 529. 50
From treasure.....	12, 021. 85
From mails.....	3, 543. 71
From passengers.....	77, 278. 04
	793, 373. 10
	1, 662, 592. 77
Miscellaneous receipts:	
Interest and exchange.....	171, 357. 89
Discount of subsidy.....	166, 666. 66
Lighterage.....	149, 487. 51
Water supplied shipping.....	34, 697. 50
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	92, 871. 78
	615, 081. 34
Total earnings.....	2, 277, 674. 11

EXPENSES.

Operating expenses on the Isthmus ^a	608, 274. 38
Lost and damaged freight.....	8, 665. 52
New York office expenses.....	16, 189. 12
Miscellaneous expenses in New York.....	14, 833. 43
Subsidy to United States of Colombia.....	250, 000. 00
Drawback on Colombian produce.....	6, 706. 57
Interest on bonds.....	270, 746. 70
	1, 175, 415. 72
Net earnings.....	1, 102, 258. 39

E. Z. PENFIELD, *Accountant.**Treasurer's statement.*

DECEMBER 31, 1880.

ASSETS.

Cash in bank, New York.....	\$27, 061. 93
Cash in bank, London.....	89, 165. 78
Cash in hands of agents.....	16, 408. 34
Due from connecting steamship lines.....	358, 638. 50
Notes receivable.....	5, 673. 75
United States of Colombia, for advance of subsidy.....	3, 000, 000. 00
900 shares Panama stock, cost.....	122, 564. 97
600 six per cent Panama subsidy bonds.....	600, 000. 00
Loans on demand.....	346, 000. 00
Petty cash.....	34. 03
Accrued interest on loans.....	2, 230. 00
	4, 567, 777. 30

^aIncludes \$52,740.05 for new equipment, \$50,337.26 for 1,500 tons steel rails, and \$49,354.89 for rebuilding bridge across Chagres.

LIABILITIES.

Drafts advised	\$1,440.00
Due sinking fund	90,117.53
Unpaid bills	2,038.40
Accrued interest on bonds	90,189.58
Six per cent subsidy bonds	3,000,000.00
	\$3,183,785.51
	1,383,991.79
Besides the above, the company holds steamship property transferred to it February 1, 1878, by the Pacific Mail Steamship Company, for which this company issued sterling bonds amounting to £200,000, say	1,000,000.00
Surplus December 31, 1879	1,401,733.40
Earnings for 1880	1,102,258.39
	2,503,991.79
Dividends paid 1880;	1,120,000.00
	1,383,991.79

W. J. EMMET, *Treasurer.*

BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1880.

The bonded indebtedness of the company consists of:

First. 3,989 seven per cent sterling bonds of £200 each, amounting to £797,800 (say \$3,989,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 1,000 were issued February 1, 1878, and fall due in ten half-yearly payments of 100 bonds each, beginning October 10, 1884, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178,255.01
1,500 shares Panama stock, cost	153,690.37
Six Pacific mail steamers	400,000.00
Due from Panama Railroad Company	90,117.53
	822,062.91

Second. 3,000 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$3,000,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy has been pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and, second, as a cumulative sinking fund for the redemption of the principal; the first 600 bonds (which belong to the company) to be first redeemed, exhausting the sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000 to be drawn yearly in September to an amount equal to the then surplus of the sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

W. J. EMMET, *Secretary.*

[Extracts from Report of the Panama Railroad Company for 1881.]

Statement of earnings and expenses for the year ending December 31, 1881.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight	\$1,000,406.57
From treasure	2,534.38
From mails	8,252.28
From passengers	113,300.14
	\$1,124,493.37

Earnings of the road—Continued.

Panama to Aspinwall—

From freight	\$746, 444. 32	
From treasure	10, 714. 35	
From mails	3, 506. 49	
From passengers	87, 448. 18	
		<u>\$848, 113. 34</u>

1, 972, 606. 71

Miscellaneous receipts:

Interest and exchange	94, 548. 29	
Ligherage	147, 349. 69	
Water supplied shipping	33, 731. 81	
Rental of property, ballast, wharfage, light dues, telegraph, etc	123, 133. 13	
		<u>398, 762. 92</u>

Total earnings..... 2, 371, 369. 63

EXPENSES.

Operating expenses on the Isthmus	\$478, 294. 25	
Lost and damaged freight	6, 851. 59	
New York office expenses	21, 203. 40	
Miscellaneous expenses in New York	17, 243. 51	
		<u>523, 592. 75</u>
Subsidy to United States of Colombia	10, 000. 00	
Subsidy to State of Panama	25, 000. 00	
Redemption of subsidy bonds	45, 000. 00	
Interest on subsidy bonds	180, 000. 00	
Interest on sterling bonds	270, 603. 90	
Drawback on Colombian produce	10, 766. 95	
		<u>1, 064, 963. 60</u>

Net earnings..... 1, 306, 406. 03

E. Z. PENFIELD, *Secretary.**Treasurer's statement.*

DECEMBER 31, 1881.

ASSETS.

Cash in bank, New York	\$434, 555. 99	
Cash in bank, London	7, 138. 76	
Cash in hands of agents	30, 164. 50	
Due from connecting steamship lines	246, 492. 39	
Note receivable	4, 939. 47	
United States of Colombia, for advance of subsidy	2, 955, 000. 00	
Loans on demand	369, 000. 00	
Petty cash	38. 99	
		<u>4, 047, 330. 10</u>

LIABILITIES.

Drafts advised	\$1, 345. 00	
Due sinking fund	385, 714. 66	
Unpaid bills	9, 182. 45	
Accrued interest on bonds	89, 681. 96	
Six per cent subsidy bonds	2, 955, 000. 00	
		<u>3, 440, 924. 07</u>

606, 406. 03

The company's surplus assets June 30, 1881, were sold

for	1, 698, 200. 00	
Earnings for 1881	1, 306, 406. 03	

3, 004, 606. 03

Dividends paid, 1881	2, 398, 200. 00	
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Surplus, December 31, 1881..... 606, 406. 03

E. Z. PENFIELD, *Treasurer.*

BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1881.

The bonded indebtedness of the company consists of:

First. 3,989 seven per cent sterling bonds of £200 each, amounting to £797,800 (say \$3,989,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 1,000 were issued February 1, 1878, and fall due in ten half-yearly payments of 100 bonds each, beginning October 10, 1884, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds cost.....	\$178,255.01
555 Panama 6 per cent subsidy bonds cost.....	555,000.00
Due from Panama Railroad Company.....	385,714.66
	1,118,969.67

Second. 2,955 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,955,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, 1st, to the payment of the interest, and, 2d, as a cumulative sinking fund for the redemption of the principal, the first 555 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from report of the Panama Railroad Company for 1882.]

Statement of earnings and expenses for the year ending December 31, 1882.

EARNINGS.

Earnings of the road:

Aspinwall to Panama—

From freight.....	\$1,109,487.06
From treasure.....	2,638.62
From mails.....	9,549.46
From passengers.....	118,411.83
	\$1,240,086.97

Panama to Aspinwall—

From freight.....	736,271.66
From treasure.....	10,998.03
From mails.....	3,536.92
From passengers.....	105,740.28
	856,546.89
	2,096,633.86

Miscellaneous receipts:

Interest and exchange.....	52,995.73
Ligherage.....	156,968.81
Water supplied shipping.....	39,432.00
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	108,315.40
	357,711.94

Total earnings..... 2,454,345.80

EXPENSES.

Operating expenses on the Isthmus.....	\$730,764.42	
Lost and damaged freight.....	4,352.04	
New York office expenses.....	20,296.33	
Miscellaneous expenses in New York.....	16,548.09	
		<hr/>
	771,960.88	
Franchise tax to State of New York.....	59,955.00	
Subsidy to United States of Colombia.....	10,000.00	
Subsidy to State of Panama.....	25,000.00	
Redemption of subsidy bonds.....	47,000.00	
Interest on subsidy bonds.....	177,300.00	
Interest on sterling bonds.....	271,048.82	
Drawback on Colombian produce.....	9,545.81	
		<hr/>
		\$1,371,810.51
Net earnings.....		<hr/>
		1,082,535.29

E. Z. PENFIELD, *Secretary.**Treasurer's statement.*

DECEMBER 30, 1882.

ASSETS.

Cash in bank, New York.....	\$19,147.95
Cash in bank, London.....	22,386.81
Cash in hands of agents.....	20,260.04
Due from connecting steamship lines.....	272,600.35
Note receivable.....	125.00
United States of Colombia, for advance of subsidy.....	2,908,000.00
Loans on demand.....	1,084,182.50
Petty cash.....	226.43
	<hr/>
	4,326,929.08

LIABILITIES.

Drafts advised.....	\$4,305.00
Due sinking fund.....	503,443.29
Unpaid bills.....	7,969.89
Accrued interest on bonds.....	89,269.58
Six per cent subsidy bonds.....	2,908,000.00
	<hr/>
	3,512,987.76
	<hr/>
	813,941.32
Surplus, December 31, 1881.....	606,406.03
Earnings for 1882.....	1,082,535.29
	<hr/>
	1,688,941.32
Dividends paid 1882, 12½ per cent.....	875,000.00
	<hr/>
Surplus December 30, 1882.....	813,941.32

E. Z. PENFIELD, *Treasurer.*

BONDED INDEBTEDNESS AND SINKING FUND.

DECEMBER 30, 1882.

The bonded indebtedness of the company consists of:

First, 3,989 seven per cent sterling bonds of £200 each, amounting to £797,800 (say, \$3,989,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 1,000 were issued February 1, 1878, and fall due in ten half-yearly payments of 100 bonds each, beginning October 10, 1884, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost.....	\$178,255.01
508 Panama 6 per cent subsidy bonds, cost.....	508,000.00
Due from Panama Railroad Company.....	503,443.29
	<hr/>
	1,189,698.30

Second. 2,908 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,908,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal; the first 508 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from Report of the Panama Railroad Company for 1883.]

Statement of earnings and expenses for the year ending December 31, 1883.

EARNINGS.

Earnings of the road:

Aspinwall to Panama—

From freight.....	\$1,368,233.11	
From treasure.....	2,363.69	
From mails.....	9,159.40	
From passengers.....	188,812.79	
		\$1,568,568.99

Panama to Aspinwall—

From freight.....	683,459.86	
From treasure.....	7,037.84	
From mails.....	2,919.53	
From passengers.....	161,852.20	
		855,269.43

2,423,838.42

Miscellaneous receipts:

Interest and exchange.....	56,872.61	
Ligherage.....	145,459.79	
Water supplied shipping.....	35,206.04	
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	150,607.06	
		388,145.50

Total earnings..... 2,811,983.92

EXPENSES.

Operating expenses on the Isthmus.....	\$1,002,456.22	
Lost and damaged freight.....	58,283.80	
New York office expenses.....	21,031.99	
Miscellaneous expenses in New York.....	17,767.71	
		1,099,539.72
Franchise tax to State of New York.....	21,875.00	
Subsidy to United States of Colombia.....	10,000.00	
Subsidy to State of Panama.....	25,000.00	
Redemption of subsidy bonds.....	51,000.00	
Interest on subsidy bonds.....	174,480.00	
Interest on sterling bonds.....	270,853.10	
Drawback on Colombian produce.....	7,444.43	
		1,660,192.25

Net earnings..... 1,151,791.67

E. Z. PENFIELD, *Secretary.*

Treasurer's statement.

DECEMBER 31, 1883.

ASSETS.

Cash in bank, New York	\$566,554.91
Cash in bank, London	80,851.34
Cash in hands of agents	36,373.46
Due from connecting steamship lines	257,103.04
Note receivable	15,000.00
United States of Colombia, for advance of subsidy	2,857,000.00
Loans on demand	435,000.00
Petty cash	207.48
	<hr/>
	4,248,090.23

LIABILITIES.

Drafts advised	\$4,319.05
Due sinking fund	274,623.63
Unpaid bills	2,654.98
Accrued interest on bonds	88,759.58
Six per cent subsidy bonds	2,857,000.00
	<hr/>
	3,227,357.24
	<hr/>
	1,020,732.99
Surplus December 30, 1882	813,941.32
Earnings for 1883	1,151,791.67
	<hr/>
	1,965,732.99
Ninety-fourth and ninety-fifth dividends paid 1883, 13½ percent	945,000.00
	<hr/>
Surplus December 31, 1883	1,020,732.99

E. Z. PENFIELD, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1883.

The bonded indebtedness of the company consists of:

First. 3,989 seven per cent sterling bonds of £200 each, amounting to £797,800 (say \$3,989,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 1,000 were issued February 1, 1878, and fall due in ten half-yearly payments of 100 bonds each, beginning October 10, 1884, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178,255.01
792 Panama 6 per cent subsidy bonds, cost	813,999.34
Due from Panama Railroad Company	274,623.63
	<hr/>
	1,266,877.98

Second. 2,857 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,857,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal; the first 457 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from report of the Panama Railroad Company for 1884.]

Statement of earnings and expenses for the year ending December 31, 1884.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight.....	\$1,826,554.55
From treasure.....	4,301.06
From mails.....	10,720.07
From passengers.....	251,820.12
	\$2,093,395.80
Panama to Aspinwall—	
From freight.....	866,524.57
From treasure.....	7,621.93
From mails.....	3,521.29
From passengers.....	191,266.62
	1,068,934.41
	3,162,330.21
Miscellaneous receipts:	
Interest.....	6,695.81
Lighterage.....	146,221.96
Water supplied shipping.....	36,580.25
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	142,947.92
	332,445.94
Total earnings.....	3,494,776.15

EXPENSES.

Operating expenses on the Isthmus.....	1,689,797.70
Lost and damaged freight.....	11,127.03
New York office expenses.....	24,801.78
Miscellaneous expenses in New York.....	17,650.05
	1,743,376.56
Franchise tax to State of New York.....	23,625.00
Subsidy to United States of Colombia.....	10,000.00
Subsidy to State of Panama.....	25,000.00
Redemption of subsidy bonds.....	53,000.00
Interest on subsidy bonds.....	171,420.00
Interest on sterling bonds.....	271,107.62
Drawback on Colombian produce.....	8,703.40
Exchange.....	12,719.90
	2,318,952.48
Net earnings.....	1,175,823.67

E. Z. PENFIELD, *Secretary.*

Treasurer's statement.

DECEMBER 31, 1884.

ASSETS.

Cash in bank, New York.....	\$568,412.49
Cash in hands of agents.....	79,188.86
Due from connecting steamship lines.....	308,138.21
Note receivable.....	131.25
United States of Colombia for advance of subsidy.....	2,804,000.00
Loans on demand.....	560,000.00
Petty cash.....	109.11
	4,319,979.92

LIABILITIES.

Drafts against London bankers in excess of letter advice of deposits	\$55,282.45	
Isthmus drafts advised	5,719.81	
Due sinking fund	272,143.40	
Unpaid bills	18,048.02	
Accrued interest on bonds	88,229.58	
Six per cent subsidy bonds	2,804,000.00	
		\$3,243,423.26
		<u>1,076,556.66</u>
Surplus December 31, 1883	1,020,732.99	
Earnings for 1884	1,175,823.67	
		<u>2,196,556.66</u>
Ninety-sixth and ninety-seventh dividends paid 1884, 16 per cent	1,120,000.00	
		<u>1,076,556.66</u>

E. Z. PENFIELD, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1884.

The bonded indebtedness of the company consists of:

First. 3,889 seven per cent sterling bonds of £200 each, amounting to £777,800 (say \$3,889,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 900 were issued February 1, 1878, and fall due in nine half-yearly payments of 100 bonds each, beginning April 10, 1885, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178,255.01
774 Panama 6 per cent subsidy bonds, cost	798,150.83
Due from Panama Railroad Company	272,143.40
	<u>1,248,549.24</u>

Second. 2,804 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,804,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and, second, as a cumulative sinking fund, for the redemption of the principal; the first 404 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from report of the Panama Railroad Company for 1885.]

Statement of earnings and expenses for the year ending December 31, 1885.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight	\$1,728,798.57
From treasure	4,040.25
From mails	16,198.60
From passengers	197,268.64
	<u>\$1,946,306.06</u>

Earnings of the road—Continued.

Panama to Aspinwall—		
From freight.....	\$793,549.29	
From treasure.....	8,963.60	
From mails.....	3,286.05	
From passengers.....	186,722.11	
	<hr/>	\$992,521.05
Miscellaneous receipts:		
Interest and exchange.....	14,825.16	
Ligherage.....	125,138.52	
Water supplied shipping.....	41,738.16	
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	147,393.91	
	<hr/>	329,095.75
Total earnings.....		<hr/> <hr/> 3,267,922.86

EXPENSES.

Operating expenses on the Isthmus.....	2,591,063.56	
Lost and damaged freight.....	14,726.07	
New York office expenses.....	24,118.19	
Miscellaneous expenses in New York.....	25,364.91	
	<hr/>	2,655,272.73
Subsidy to United States of Colombia.....	10,000.00	
Subsidy to State of Panama.....	25,000.00	
Redemption of subsidy bonds.....	57,000.00	
Interest on subsidy bonds.....	168,240.00	
Interest on sterling bonds.....	260,766.65	
Drawback on Colombian produce.....	6,522.61	
Interest.....	13,511.31	
	<hr/>	3,196,313.30
Net earnings.....		<hr/> <hr/> 71,609.56

E. Z. PENFIELD, *Secretary.*

Treasurer's statement.

DECEMBER 31, 1885.

ASSETS.

Cash in bank, New York.....	\$138,146.81
Cash in bank, London.....	71,833.74
Cash in hands of agents.....	164,419.79
Due from connecting steamship lines.....	244,994.77
Note receivable.....	718.75
United States of Colombia for advance of subsidy.....	2,747,000.00
Demand loan.....	130,000.00
Petty cash.....	157.92
	<hr/>
	3,497,271.78

LIABILITIES.

Isthmus drafts advised.....	\$10,499.05
Due sinking fund.....	207,975.21
Unpaid bills.....	498.40
Accrued interest on bonds.....	83,132.90
Six per cent subsidy bonds.....	2,747,000.00
	<hr/>
	3,049,105.56

		<hr/> <hr/> 448,166.22
Surplus December 31, 1884.....	1,076,556.66	
Earnings for 1885.....	71,609.56	
	<hr/>	1,148,166.22
Ninety-eighth and ninety-ninth dividends paid 1885, 10 per cent.....	700,000.00	
	<hr/>	448,166.22

E. Z. PENFIELD, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1885.

The bonded indebtedness of the company consists of:

First. 3,689 seven per cent sterling bonds of £200 each, amounting to £737,800 (say \$3,689,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 700 were issued February 1, 1878, and fall due in seven half-yearly payments of 100 bonds each, beginning April 10, 1886, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178,255.01
717 Panama 6 per cent subsidy bonds, cost	741,150.83
Due from Panama Railroad Company	207,975.21
	1,127,381.05

Second. 2,747 six per cent gold sinking-fund subsidy bonds of \$1,000 each, amounting to \$2,747,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company first to the payment of the interest, and, second, as a cumulative sinking fund for the redemption of the principal; the first 347 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from report of the Panama Railroad Company for 1886.]

Statement of earnings and expenses for the year ending December 31, 1886.

EARNINGS.

Earnings of the road:

Aspinwall to Panama—

From freight	\$1,432,940.03
From treasure	4,168.78
From mails	18,031.78
From passengers	250,543.30
	\$1,705,683.89

Panama to Aspinwall—

From freight	644,850.18
From treasure	10,897.85
From mails	3,011.10
From passengers	233,878.90
	892,638.03

Miscellaneous receipts:

Interest and exchange	66,057.48
Lighterage	147,804.06
Water supplied shipping	32,311.07
Rental of property, ballast, wharfage, light dues, telegraph, etc	207,065.26
	453,237.87

Total earnings	3,051,559.79
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EXPENSES.

Operating expenses on the Isthmus	2,345,010.26
Lost and damaged freight	8,045.90
New York office expenses	24,274.60
Miscellaneous expenses in New York	28,869.20
	2,406,199.96
Subsidy to United States of Colombia	10,000.00

Subsidy to State of Panama	\$25,000.00	
Redemption of subsidy bonds	60,000.00	
Interest on subsidy bonds	164,820.00	
Interest on sterling bonds	247,242.72	
Drawback on Colombian produce	10,534.52	
Interest	9,181.39	
		\$2,932,978.59

Net earnings 118,581.20

E. Z. PENFIELD, *Secretary.*

Treasurer's statement.

DECEMBER 31, 1886.

ASSETS.

Cash in bank, New York	\$7,192.62
Cash in bank, London	34,483.38
Cash in hands of agents	105,499.49
Due from connecting steamship lines	423,576.87
United States of Colombia for advance of subsidy	2,687,000.00
Loans on demand	265,000.00
Petty cash	19.38
	3,522,771.62

LIABILITIES.

Isthmus drafts advised	\$31,256.65
Due sinking fund	138,617.10
Unpaid bills	19,635.38
Accrued interest on bonds	79,515.13
Six per cent subsidy bonds	2,687,000.00
	2,956,024.26

566,747.42

Surplus December 31, 1885	448,166.22
Earnings for 1886	118,581.20

Surplus December 31, 1886 566,747.42

E. Z. PENFIELD, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1886.

The bonded indebtedness of the company consists of:

First. 3,489 seven per cent sterling bonds of £200 each, amounting to £697,800 (say \$3,489,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 500 were issued February 1, 1878, and fall due in five half-yearly payments of 100 bonds each, beginning April 10, 1887, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178,255.01
657 Panama 6 per cent subsidy bonds, cost	681,150.83
Due from Panama Railroad Company	138,617.10
	998,022.94

Second. 2,687 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,687,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund, for the redemption of the principal; the first 287 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3000, to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from report of Panama Railroad Company for 1887.]

Statement of earnings and expenses for the year ending December 31, 1887.

EARNINGS.

Earnings of the road:

Aspinwall to Panama—

From freight.....	\$1,626,468.68	
From treasure.....	11,200.49	
From mails.....	17,260.79	
From passengers.....	324,236.17	
	<hr/>	\$1,979,166.13

Panama to Aspinwall—

From freight.....	798,140.03	
From treasure.....	19,015.18	
From mails.....	2,414.09	
From passengers.....	201,366.27	
	<hr/>	1,020,935.57

Miscellaneous receipts:

Interest and exchange.....	52,106.04	
Ligherage.....	174,150.69	
Water supplied shipping.....	38,749.95	
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	224,474.10	
	<hr/>	489,480.78

Total earnings.....		<hr/>	3,489,582.48
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EXPENSES.

Operating expenses on the Isthmus.....	2,291,953.94		
Lost and damaged freight.....	6,267.17		
New York office expenses.....	24,929.57		
Miscellaneous expenses in New York.....	25,317.02		
	<hr/>	2,348,467.70	
Subsidy to United States of Colombia.....	10,000.00		
Subsidy to State of Panama.....	25,000.00		
Redemption of subsidy bonds.....	64,000.00		
Interest on subsidy bonds.....	161,220.00		
Interest on sterling bonds.....	233,379.27		
Drawback on Colombian produce.....	22,744.90		
Interest.....	4,939.24		
	<hr/>	2,869,751.11	
Net earnings.....		<hr/>	619,831.37

E. Z. PENFIELD, *Secretary.**Treasurer's statement.*

DECEMBER 31, 1887.

ASSETS.

Cash in bank, New York.....	\$10,223.99
Cash in bank, London.....	36,868.23
Cash in hands of agents.....	1,670.72
Notes receivable.....	75,600.00
Dues from connecting steamship lines.....	386,512.24
United States of Colombia for advance of subsidy.....	2,623,000.00
Loans on demand.....	840,000.00
Petty cash.....	212.49
	<hr/>
	3,974,087.67

LIABILITIES.

Isthmus drafts advised	\$22,475.73	
Due sinking fund	66,052.84	
Unpaid bills	122.95	
Accrued interest on bonds	75,857.36	
Six per cent subsidy bonds	2,623,000.00	
		\$2,787,508.88
		1,186,578.79
Surplus December 31, 1886	566,747.42	
Earnings for 1887	619,831.37	
		1,186,578.79
Surplus December 31, 1887		1,186,578.79

E. Z. PENFIELD, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1887.

The bonded indebtedness of the company consists of—

First. 3,289 seven per cent sterling bonds of £200 each, amounting to £657,800 (say \$3,289,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 300 were issued February 1, 1878, and fall due in three half-yearly payments of 100 bonds each, beginning April 10, 1888, and ending April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, cost	\$178,255.01
593 Panama 6 per cent subsidy bonds, cost	617,150.83
Due from Panama Railroad Company	66,052.84
	861,458.68

Second. 2,623 six per cent gold sinking fund subsidy bonds of \$1,000 each amounting to \$2,623,000 were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund, for the redemption of the principal; the first 223 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000, to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1, after each drawing, and thereby redeeming the whole issue in 1908.

E. Z. PENFIELD, *Secretary.*

[Extracts from report of the Panama Railroad Company for 1888.]

Statement of earnings and expenses for the year ending December 31, 1888.

EARNINGS.

Earnings of the road:		
Aspinwall to Panama—		
From freight	\$1,621,131.00	
From treasure	13,087.32	
From mails	19,463.05	
From passengers	319,523.99	
		\$1,973,205.36
Panama to Aspinwall—		
From freight	652,764.59	
From treasure	19,095.72	
From mails	2,466.72	
From passengers	243,921.83	
		918,248.86

Miscellaneous receipts:		
Interest and exchange.....	\$17,149.08	
Ligherage.....	210,000.52	
Water supplied shipping.....	58,701.36	
Rental of property, ballast, wharfage, light dues, telegraph, Fox River shops, etc.....	513,354.03	
		<u>\$799,204.99</u>
Total earnings.....		3,690,659.21

EXPENSES.

Operating expenses on the Isthmus.....	1,751,618.75	
Fox River shops.....	215,823.23	
Lost and damaged freight.....	7,632.86	
New York office expenses.....	31,296.88	
Miscellaneous expenses in New York.....	29,665.71	
		<u>2,036,037.43</u>
Subsidy to United States of Colombia.....	10,000.00	
Subsidy to State of Panama.....	25,000.00	
Redemption of subsidy bonds.....	68,000.00	
Interest on subsidy bonds.....	157,380.00	
Interest on sterling bonds.....	219,998.73	
Drawback on Colombian produce.....	23,698.60	
		<u>2,540,114.76</u>
Net earnings.....		1,150,544.45

ERNEST L. OPPENHEIM,
Secretary.

Treasurer's statement.

DECEMBER 31, 1888.

CURRENT ASSETS.

Cash in bank, New York.....	\$112,207.11
Cash in bank, London.....	35,577.50
Cash in hands of agents.....	47,296.22
Notes receivable.....	500.00
Uncollected earnings.....	272,325.57
United States of Colombia, for advance of subsidy.....	2,555,000.00
Loans on demand.....	100,000.00
Petty cash.....	30.58
Due from sinking fund.....	29,739.73
Amount on deposit with comptroller State of New York.....	3,326.67
Cash in bank, New York—Isthmus draft account.....	2,457.03
	<u>3,158,460.41</u>

CURRENT LIABILITIES.

Isthmus drafts advised.....	\$16,871.58
Unpaid bills.....	5,698.65
Accrued interest on bonds.....	72,159.57
Six per cent subsidy bonds.....	2,555,000.00
	<u>2,649,729.80</u>

Excess of assets..... 508,731.61

Surplus December 31, 1887, as per balance.....	1,702,638.91
Surplus December 31, 1888, as per balance.....	1,236,847.36
	<u>Decrease of surplus..... 465,791.55</u>

The following dividends were paid during the year ending December 31, 1888:

- Dividend No. 100, paid January 16, 6 per cent.
- Dividend No. 101, paid May 1, 5 per cent.
- Dividend No. 102, paid September 12, 7 per cent.
- Dividend No. 103, paid November 30, 4 per cent.
- Dividend No. 104, paid December 21, 1 per cent.

ERNEST L. OPPENHEIM,
Treasurer.

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUNDS.

DECEMBER 31, 1888.

The bonded indebtedness of the company consists of:

First. 3,089 seven per cent sterling bonds of £200 each, amounting to £617,800 (say \$3,089,000), of which the first 2,989 were issued October 10, 1867, and fall due October 10, 1897, and the remaining 100 were issued February 1, 1878, and fall due April 10, 1889.

To meet this bonded indebtedness the company has the following sinking fund:

195 Panama 7 per cent sterling bonds, valuation	\$195,000.00
543 Panama 6 per cent subsidy bonds, valuation	543,000.00
	738,000.00
Less amount due Panama Railroad Company	29,739.73
	708,260.27

Second. 2,555 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,555,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to applied by the company, first, to the payment of the interest, and, second, as a cumulative sinking fund, for the redemption of the principal; the first 155 of outstanding bonds (which belong the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

ERNEST L. OPPENHEIM,
Secretary.

[Extracts from report of the Panama Railroad Company for 1889.]

Statement of earnings and expenditures for the year ending December 31, 1889.

EARNINGS.

Earnings of the road:

Aspinwall to Panama—

From freight	\$1,018,725.19
From treasure	2,179.75
From mails	24,799.42
From passengers	108,201.57
	\$1,153,905.93

Panama to Aspinwall—

From freight	516,851.45
From treasure	13,058.87
From mails	3,105.22
From passengers	112,807.71
	645,823.25

Miscellaneous receipts:

Interest and exchange	19,506.50
Lighterage	201,711.10
Water supplied shipping	35,064.00
Rental of property, ballast, wharfage, light dues, telegraph, etc	101,814.62
	358,096.22

Total earnings..... 2,157,825.40

EXPENDITURES.

Operating expenses on the Isthmus.....	\$1,127,152.66	
Lost and damaged freight.....	7,486.26	
Drawback on Colombian produce.....	11,965.10	
New York office expenses.....	37,662.57	
Miscellaneous expenses in New York.....	48,224.04	
		<hr/>
Total expenses.....		\$1,232,490.63
		<hr/>
Leaving net earnings.....		925,334.77
From which deduct:		
Appropriation to sinking fund.....	75,000.00	
Subsidy to United States of Colombia.....	35,000.00	
Redemption of subsidy bonds.....	71,000.00	
Interest on subsidy bonds.....	153,300.00	
Interest on sterling bonds.....	206,885.08	
		<hr/>
		541,185.08
		<hr/>
Surplus earnings.....		384,149.69

ERNEST L. OPPENHEIM,
Secretary.

Comparative statement of earnings and expenses for the years 1888 and 1889.

Gross earnings, 1888.....	\$3,690,659.21	
Gross earnings, 1889.....	2,157,825.40	
		<hr/>
Decrease (41.53 per cent) ..	1,532,833.81	
Operating expenses, 1888	2,059,736.03	= 55.81 per cent of gross earnings.
Operating expenses, 1889	1,232,490.63	= 57.12 per cent of gross earnings.
		<hr/>
Decrease (40.16 per cent) ..	827,245.40	
Net earnings, 1888.....	1,630,923.18	= 44.19 per cent of gross earnings.
Net earnings, 1889.....	925,334.77	= 42.88 per cent of gross earnings.
		<hr/>
Decrease (43.26 per cent) ..	705,588.41	

ERNEST L. OPPENHEIM,
Secretary.

Treasurer's statement.

DECEMBER 31, 1889.

CURRENT ASSETS.

Cash in bank, New York.....	\$12,594.50
Cash in bank, London.....	48,079.42
Cash in hands of agents.....	8,232.54
Deposited with trust companies.....	220,000.00
Balance on deposit with comptroller State of New York.....	311.91
Uncollected earnings.....	138,289.41
Petty cash.....	171.61
Accrued interest on deposits.....	586.30
Due from sinking fund.....	7,103.58
Coal and supplies on hand.....	237,880.08
United States of Colombia for advance of subsidy.....	2,484,000.00
	<hr/>
	3,157,249.35

CURRENT LIABILITIES.

Isthmus drafts	\$68,513.81	
Miscellaneous accounts unpaid	14,357.28	
Coupons not presented	1,530.00	
Accrued interest on bonds	69,940.69	
Due United States of Colombia	18,750.00	
Six per cent subsidy bonds	2,484,000.00	
		\$2,657,091.78
Excess of assets		500,157.57
Surplus, December 31, 1888, as per balance		1,400,458.19
Surplus, December 31, 1889, as per balance		1,229,607.88
Decrease of surplus		170,850.31

The following dividends were paid during the year ending December 31, 1889:

Dividend No. 105 paid March 6, 5 per cent.

Dividend No. 106, paid July 31, 4 per cent.

ERNEST L. OPPENHEIM,
Treasurer.

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUND.

DECEMBER 31, 1889.

The bonded indebtedness of the company consists of:

First. 2,989 seven per cent sterling bonds of £200 each, amounting to £597,800 (say \$2,989,000), which were issued October 10, 1867, and fall due October 10, 1897.

To meet this bonded indebtedness the company has the following sinking fund:

219 Panama 7 per cent sterling bonds, valuation	\$219,000.00
472 Panama 7 per cent subsidy bonds, valuation	472,000.00
41 six per cent railway mortgage bonds, cost	42,233.75
	733,233.75
Less amount due Panama Railroad Company	7,103.58
	726,130.17

Second. 2,484 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,484,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March, 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund, for the redemption of the principal; the first 84 of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000, to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

ERNEST L. OPPENHEIM,
Secretary.

[Extracts from report of the Panama Railroad Company for 1890.]

Statement of earnings and expenditures for the year ending December 31, 1890.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight	\$955,683.49
From treasure	2,425.74
From mails	22,995.21
From passengers	57,350.81
	\$1,038,455.25

Earnings of the road—Continued.

Panama to Aspinwall—	
From freight.....	\$491,691.97
From treasure.....	18,796.42
From mails.....	3,472.29
From passengers.....	57,237.83
	<hr/>
	\$571,198.51
Miscellaneous receipts:	
Interest and exchange.....	5,754.08
Ligherage.....	219,680.61
Water supplied shipping.....	34,927.95
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	79,800.99
	<hr/>
	340,163.63
 	<hr/>
Total earnings.....	1,949,817.39

EXPENDITURES.

Operating expenses on the Isthmus.....	917,954.76
Lost and damaged freight.....	7,949.38
Drawback on Colombian produce.....	10,634.14
New York office expenses.....	39,955.83
Miscellaneous expenses in New York: Legal expenses, judgments, agency charges, etc.....	61,456.36
	<hr/>
Total expenses.....	1,037,950.47
 	<hr/>
Leaving net earnings.....	911,866.92
From which deduct—	
Appropriation to sinking fund.....	100,000.00
Subsidy to United States of Colombia.....	35,000.00
Redemption of subsidy bonds.....	76,000.00
Interest on subsidy bonds.....	149,040.00
Interest on sterling bonds.....	202,953.10
	<hr/>
	562,993.10
 	<hr/>
Surplus earnings.....	348,873.82

E. A. DRAKE, *Secretary pro tem.**Comparative statement of earnings and expenses for the years 1889 and 1890.*

Gross earnings, 1889.....	\$2,157,825.40	
Gross earnings, 1890.....	1,949,817.39	
	<hr/>	
Decrease (9.63 per cent).....	208,008.01	
	<hr/>	
Operating expenses, 1889.....	1,232,490.63	=57.12 per cent of gross earnings.
Operating expenses, 1890.....	1,037,950.47	=53.23 per cent of gross earnings.
	<hr/>	
Decrease (15.78 per cent).....	194,540.16	
	<hr/>	
Net earnings, 1889.....	925,334.77	=42.88 per cent of gross earnings.
Net earnings, 1890.....	911,866.92	=46.76 per cent of gross earnings.
	<hr/>	
Decrease (1.45 per cent).....	13,467.85	

E. A. DRAKE, *Secretary pro tem.**Treasurer's statement.*

DECEMBER 31, 1890.

CURRENT ASSETS.

Cash in bank, New York.....	\$26,826.91
Cash in bank, London (£11,372 13s. 10d. at \$4.85 the company's rate).....	55,157.56
Cash in hands of agents.....	47,827.34
Deposited with trust companies.....	120,000.00
Uncollected earnings (partly estimated).....	153,950.43
Petty cash.....	184.42

Accrued interest on deposits.....	\$176. 71
Coal and supplies on hand.....	197, 073. 04
United States of Colombia for advance of subsidy.....	2, 408, 000. 00
	<hr/>
	3, 009, 196. 41

CURRENT LIABILITIES.

Isthmus drafts.....	\$39, 280. 69
Miscellaneous accounts unpaid.....	10, 984. 17
Coupons not presented.....	1, 440. 00
Accrued interest on bonds.....	69, 180. 66
Due United States of Colombia.....	18, 750. 00
Six per cent subsidy bonds.....	2, 408, 000. 00
Due to sinking fund.....	21, 161. 12
	<hr/>
	2, 568, 796. 64

Excess of assets..... 440, 399. 77

Surplus December 31, 1890, as per balance.....	1, 362. 952. 86
Surplus December 31, 1889, as per balance.....	1, 229, 607. 88

Increase of surplus..... 133, 344. 98

The following dividends were paid during the year ending December 31, 1890:

Dividend No. 107, paid March 27, 3½ per cent.

Dividend No. 108, paid December 16, 1½ per cent.

E. A. DRAKE, *Treasurer pro tem.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUND.

DECEMBER 31, 1890.

The bonded indebtedness of the company consists of:

First. 2,989 seven per cent sterling bonds of £200 each, amounting to £597,800 (say \$2,989,000), which were issued October 10, 1867, and fall due October 10, 1897.

To meet this bonded indebtedness the company has the following sinking fund:

219 Panama 7 per cent general mortgage sterling bonds, valuation ...	\$249, 000. 00
411 Panama 6 per cent subsidy bonds, valuation.....	411, 000. 00
100 six per cent railway bonds (50 first mortgage, 50 second mortgage), cost.....	100, 932. 25
100 five per cent railway consolidated mortgage bonds, cost.....	92, 520. 84

853, 453. 09

Due from Panama Railroad Company..... 21, 161. 12

874, 614. 21

Second. 2,408 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,408,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first to the payment of the interest, and second, as a cumulative sinking fund, for the redemption of the principal; the first 8 numerically of outstanding bonds (which belong to the company's sinking fund) to be first redeemed, exhausting the subsidy sinking fund to November, 1890, and thereafter the bonds from 601 to 3,000 to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

E. A. DRAKE, *Secretary pro tem.*

[Extracts from report of the Panama Railroad Company for 1891.]

Statement of earnings and expenditures for the year ending December 31, 1891.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight.....	\$919,307.13
From treasure.....	2,346.84
From mails.....	23,631.62
From passengers.....	52,884.03
	<hr/>
	\$998,169.62
Panama to Aspinwall—	
From freight.....	481,832.87
From treasure.....	14,731.31
From mails.....	3,610.73
From passengers.....	62,694.72
	<hr/>
	562,869.63
Miscellaneous receipts:	
Interest and exchange.....	5,833.34
Lighterage.....	238,601.94
Water supplied shipping.....	42,565.86
Rental of property, ballast, wharfage, light, dues, telegraph, etc.....	83,073.38
	<hr/>
	370,074.52
Collections in excess of "estimated" earnings for previous years.....	5,888.40
	<hr/>
Total earnings.....	1,937,002.17

EXPENDITURES.

Operating expenses on the Isthmus.....	870,199.04
Lost and damaged freight.....	7,088.38
Drawback on Colombian produce.....	10,773.23
New York office expenses.....	39,391.52
Miscellaneous expenditures in New York; legal expenses, judgments, agency charges, etc.....	47,316.07
	<hr/>
Total expenses.....	974,768.24
	<hr/>
Leaving net earnings.....	962,233.93
From which deduct:	
Appropriation to sinking fund.....	175,000.00
Subsidy to United States of Colombia.....	35,000.00
Redemption of subsidy bonds.....	81,000.00
Interest on subsidy bonds.....	144,480.00
Interest on sterling bonds.....	202,953.10
	<hr/>
	638,433.10
	<hr/>
Surplus earnings.....	323,800.83

ERNEST L. OPPENHEIM, *Secretary.**Comparative statement of earnings and expenses for the years 1890 and 1891.*

Gross earnings, 1890.....	\$1,949,817.39
Gross earnings, 1891.....	1,937,002.17
	<hr/>
Decrease (0.65 per cent).....	12,815.22
Operating expenses, 1890.....	1,037,950.47=53.23 per cent of gross earnings.
Operating expenses, 1891.....	974,768.24=50.32 per cent of gross earnings.
	<hr/>
Decrease (6.08 per cent).....	63,182.23
Net earnings, 1890.....	911,866.92=46.77 per cent of gross earnings.
Net earnings, 1891.....	962,233.93=49.68 per cent of gross earnings.
	<hr/>
Increase (5.52 per cent).....	50,367.01

ERNEST L. OPPENHEIM, *Secretary.*

Condensed balance sheet, December 31, 1891.

ASSETS.		LIABILITIES.	
Cost of road and equipment.....	\$9,835,320.73	Capital stock.....	\$7,000,000.00
Real estate at Isthmus.....	263,616.74	General mortgage 7 per cent bonds.	2,989,000.00
Material on hand.....	232,023.46	Subsidy 6 per cent bonds.....	2,327,000.00
Uncollected earnings (partly estimated).....	127,118.48	Fund for redemption of subsidy bonds.....	56,570.00
Accounts receivable.....	15,509.30	Accrued interest on bonds.....	68,370.66
Sinking fund.....	1,108,554.63	Isthmus drafts unrepresented.....	48,417.84
Cash on hand in New York.....	176,973.38	Overdue coupons.....	1,200.00
Cash on hand in London.....	22,799.54	Unclaimed dividends.....	149.00
Cash on hand in Isthmus agency..	20,303.81	Balances due deceased or missing employees.....	894.70
Accrued interest on deposits.....	2,316.20	Due department of Panama.....	18,750.00
Advance of subsidy to United States of Colombia.....	2,327,000.00	Due to connecting companies.....	21,584.19
		Accounts payable.....	6,561.98
		Due sinking fund.....	12,343.79
		Surplus December 31, 1890.....	1,362,952.86
		Addition to surplus for year 1891...	217,741.25
	14,131,536.27		14,131,536.27
To surplus December 31, 1891.....	1,580,694.11		

ERNEST L. OPPENHEIM, *Secretary.*

Treasurer's statement.

DECEMBER 31, 1891.

CURRENT ASSETS.

Cash in bank, New York.....	\$26,965.91
Cash in bank, London (£4,700 18s. 8d., at \$4.85, the company's rate) ..	22,799.54
Cash in hands of agents.....	20,303.81
Deposited with trust companies.....	150,000.00
Uncollected earnings (partly estimated).....	127,118.48
Petty cash.....	7.47
Accrued interest on deposits.....	2,316.20
Coal and supplies on hand.....	232,023.46
United States of Colombia for advance of subsidy.....	2,327,000.00
	2,908,534.87

CURRENT LIABILITIES.

Isthmus drafts.....	\$48,417.84
Miscellaneous accounts unpaid.....	18,765.52
Coupons not presented.....	1,200.00
Accrued interest on bonds.....	68,370.66
Due United States of Colombia.....	18,750.00
Six per cent subsidy bonds.....	2,327,000.00
Due to sinking fund.....	12,343.79
	2,494,847.81

Excess of assets..... 413,687.06

Surplus December 31, 1891, as per balance.....	1,580,694.11
Surplus December 31, 1890, as per balance.....	1,362,952.86

Increase of surplus..... 217,741.25

The following dividends were paid during the year ending December 31, 1891:

Dividend No. 109, paid March 27, 2 per cent.

Dividend No. 110, paid December 29, 3 per cent.

ERNEST L. OPPENHEIM, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUND.

DECEMBER 31, 1891.

The bonded indebtedness of the company consists of:

First. 2,989 seven per cent sterling bonds of £200 each, amounting to £597,800 (say, \$2,989,000), which were issued October 10, 1867, and fall due October 10, 1897.

To meet this bonded indebtedness the company has the following sinking fund:

273 Panama 7 per cent general mortgage sterling bonds, valuation.....	\$273,000.00
409 Panama 6 per cent subsidy bonds, valuation.....	409,000.00
100 six per cent railway mortgage bonds, cost.....	101,080.00
260 five per cent railway mortgage bonds, cost.....	231,567.09
100 four per cent railway mortgage bonds, cost.....	81,563.75
	1,096,210.84
Due from Panama Railroad Company.....	12,343.79
	1,108,554.63

Second. 2,327 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,327,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest and, second, as a cumulative sinking fund for the redemption of the principal, the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

ERNEST L. OPPENHEIM, *Secretary.*

[Extracts from the Report of the Panama Railroad Company for 1892.]

Statement of earnings and expenditures for the year ending December 31, 1892.

EARNINGS.

Earnings of the road:	
Aspinwall to Panama—	
From freight.....	\$754,147.53
From treasure.....	1,680.09
From mails.....	22,828.10
From passengers.....	50,023.21
	\$828,678.93
Panama to Aspinwall—	
From freight.....	535,600.79
From treasure.....	13,393.66
From mails.....	4,134.07
From passengers.....	54,184.32
	607,312.84
Miscellaneous receipts:	
Interest and exchange.....	4,276.47
Ligherage.....	213,677.73
Water supplied shipping.....	44,138.06
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	68,165.21
	330,257.47
Collections in excess of "estimated" earnings for previous year..	2,495.15
	1,768,744.39

EXPENDITURES.

Operating expenses on the Isthmus.....	\$848,985.33	
Lost and damaged freight.....	9,597.46	
Drawback on Colombian produce.....	13,326.13	
New York office expenses.....	42,461.60	
Miscellaneous expenditures in New York: Legal expenses, judgments, agency charges, etc.....	33,983.87	
Total expenses.....		\$948,354.39
Leaving net earnings.....		820,390.00
From which deduct:		
Appropriation to sinking fund.....	175,000.00	
Subsidy to United States of Colombia.....	35,000.00	
Redemption of subsidy bonds.....	85,000.00	
Interest on subsidy bonds.....	139,620.00	
Interest on sterling bonds.....	202,953.10	
		637,573.10
Surplus earnings.....		182,816.90

ERNEST L. OPPENHEIM,
Secretary.

Comparative statement of earnings and expenses for the years 1891 and 1892.

Gross earnings, 1891.....	\$1,937,002.17	
Gross earnings, 1892.....	1,768,744.39	
Decrease (8.69 per cent)....	168,257.78	
Operating expenses, 1891.....	974,768.24=50.32 per cent of gross earnings.	
Operating expenses, 1892.....	948,354.39=53.61 per cent of gross earnings.	
Decrease (2.70 per cent)....	26,413.85	
Net earnings, 1891.....	962,233.93=49.68 per cent of gross earnings.	
Net earnings, 1892.....	820,390.00=46.39 per cent of gross earnings.	
Decrease (14.74 per cent)...	141,843.93	

ERNEST L. OPPENHEIM,
Secretary.

Condensed balance sheet, December 31, 1892.

ASSETS.		LIABILITIES.	
Cost of road and equipment.....	\$10,205,320.73	Capital stock.....	\$7,000,000.00
Real estate at Isthmus.....	263,616.74	General mortgage 7 per cent bonds.....	4,000,000.00
Material on hand.....	180,288.91	Subsidy 6 per cent bonds.....	2,242,000.00
Uncollected earnings (partly estimated).....	133,535.85	Fund for redemption of subsidy bonds.....	56,950.00
Accounts receivable.....	17,684.58	Accrued interest on bonds.....	74,515.54
Sinking fund.....	1,351,825.22	Isthmus drafts unrepresented.....	39,746.13
Cash on hand in New York.....	162,929.34	Overdue coupons.....	840.00
Cash on hand in London.....	25,850.28	Unclaimed dividends.....	149.00
Cash on hand in Isthmus agency..	27,114.86	Balances due deceased or missing employees.....	894.70
Due from Isthmus agency.....	8,286.93	Due department of Panama.....	18,750.00
General European agents.....	516.89	Due Colombian Government.....	10,000.00
Accrued interest on deposits.....	157.49	Due connecting companies.....	2,530.92
Advance of subsidy to United States of Colombia.....	2,242,000.00	Accounts payable.....	2,939.16
General mortgage 7 per cent sterling bonds in treasury.....	651,000.00	Bills payable.....	180,000.00
Due by sinking fund.....	96,648.12	Miscellaneous accounts unpaid....	678.89
		Surplus December 31, 1891.....	1,580,694.11
		Addition to surplus for year 1892...	156,087.49
	15,366,775.94		15,366,775.94
To surplus December 31, 1892.....	1,736,781.60		

ERNEST L. OPPENHEIM,
Secretary.

Treasurer's statement.

DECEMBER 31, 1892.

CURRENT ASSETS.

Cash in bank, New York	\$47,790.40
Cash in bank, London (£5,329 19s. 1d. at \$4.85, the company's rate) ..	25,850.28
Cash in hands of agents	27,631.75
Deposited with trust companies	115,000.00
Uncollected earnings (partly estimated)	133,535.85
Petty cash	138.94
Accrued interest on deposits	157.49
Coal and supplies on hand	180,288.91
United States of Colombia for advance of subsidy	2,242,000.00
Sinking fund	96,648.12
Due from Isthmus agency	8,286.93
	<hr/>
	2,877,328.67

CURRENT LIABILITIES.

Isthmus drafts	\$39,746.13
Miscellaneous accounts unpaid	169,508.09
Coupons not presented	840.00
Accrued interest on bonds	74,515.54
Due department of Panama	18,750.00
Due Government of Colombia	10,000.00
Six per cent subsidy bonds	2,242,000.00
	<hr/>
	2,555,359.76

Excess of assets

321,968.91

Surplus December 31, 1892, as per balance	1,736,781.60
Surplus December 31, 1891, as per balance	1,580,694.11

Increase of surplus

156,087.49

The following dividends were paid for the year ending December 31, 1892:

Dividend No. 111, paid March 28, 2 per cent.

Dividend No. 112, paid January 3, 1893, 2 per cent.

ERNEST L. OPPENHEIM,
Treasurer.

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUND.

DECEMBER 31, 1892.

The bonded indebtedness of the company consists of:

First. 4,000 seven per cent sterling bonds of £200 each, amounting to £800,000 (say, \$4,000,000), of which 2,989 were issued October 10, 1867, and fall due October 10, 1897. The remaining 1,011 were issued on the 10th of October, 1892, and fall due on the 10th of October, 1897, but by resolution of the board of directors the holder is given the option of having them extended for ten years, at 5 per cent per annum, to the 10th day of October, 1907, the company reserving to itself the right of redemption at 105 and accrued interest of such extended bonds, at any date subsequent to the 10th day of October, 1902. Of this latter issue 651 bonds are in the company's treasury.

To meet this bonded indebtedness the company has the following sinking fund:

633 Panama seven per cent general mortgage sterling bonds, valuation ..	\$633,000.00
393 Panama six per cent subsidy bonds, valuation	393,000.00
100 six per cent railway mortgage bonds, cost	101,080.00
270 five per cent railway mortgage bonds, cost	239,829.59
100 four per cent railway mortgage bonds, cost	81,563.75
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	1,448,473.34
Due Panama Railroad Company	96,648.12
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	1,351,825.22

Second. 2,242 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,242,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and, second, as a cumulative sinking fund, for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

ERNEST L. OPPENHEIM,
Secretary.

[Extracts from Report of the Panama Railroad Company for 1893.]

Statement of earnings and expenditures for the year ending December 31, 1893.

EARNINGS.

Earnings of the road:	
Colon to Panama—	
From freight.....	\$553,665.89
From treasure.....	2,543.83
From mails.....	29,253.98
From passengers.....	37,470.67
	\$622,934.37
Panama to Colon—	
From freight.....	368,799.81
From treasure.....	14,507.31
From mails.....	5,337.54
From passengers.....	35,433.76
	424,078.42
Miscellaneous receipts:	
Lighterage.....	219,067.31
Water supplied shipping.....	44,711.15
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	103,335.47
	367,113.93
Total earnings.....	1,414,126.72

EXPENDITURES.

Operating expenses on the Isthmus.....	783,041.24
Lost and damaged freight.....	1,859.57
Drawback on Colombian produce.....	14,351.09
New York office expenses.....	41,854.78
Interest and exchange.....	3,889.00
Miscellaneous expenditures in New York: Legal expenses, judgments, agency charges, etc.....	71,765.70
Total expenses.....	916,761.38
Leaving net earnings.....	497,365.34
From which deduct:	
Expenses steamer <i>Saturn</i> , voyage to Panama.....	23,775.47
Subsidy to United States of Colombia.....	35,000.00
Redemption of subsidy bonds.....	90,000.00
Interest on subsidy bonds.....	133,650.00
Interest on sterling bonds.....	233,508.10
	515,933.57
Deficit.....	18,568.23

E. A. DRAKE, Secretary.

Comparative statement of earnings and expenses for the years 1892 and 1893.

Gross earnings, 1892	\$1,768,744.39	
Gross earnings, 1893	1,414,126.72	
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Decrease (20.04 per cent) ...	354,617.67	
Operating expenses, 1892	948,354.39	=50.32 per cent of gross earnings.
Operating expenses, 1893	916,761.38	=64.82 per cent of gross earnings.
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Decrease (3.33 per cent)	31,593.01	
Net earnings, 1892	820,390.00	=49.68 per cent of gross earnings.
Net earnings, 1893	497,365.34	=35.18 per cent of gross earnings.
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Decrease (39.37 per cent)	323,024.66	

E. A. DRAKE, *Secretary.**Condensed balance sheet, December 31, 1893.*

ASSETS.		LIABILITIES.	
Cost of road and equipment.....	\$10,215,320.73	Capital stock	\$7,000,000.00
Real estate at Isthmus	263,616.74	General mortgage 7 per cent bonds.	4,000,000.00
Material on hand	169,322.99	Subsidy 6 per cent bonds.....	2,152,000.00
Uncollected earnings (partly estimated)	80,967.67	Fund for redemption of subsidy bonds.....	57,430.00
Accounts receivable.....	18,648.14	Accrued interest on bonds	74,768.69
Sinking fund.....	1,436,189.22	Isthmus drafts unrepresented	40,549.13
Cash on hand in New York	177,051.32	Overdue coupons.....	1,710.00
Cash on hand in London.....	22,888.24	Unclaimed dividends	149.00
Cash on hand in Isthmus agency..	30,204.73	Balances due deceased or missing employees.....	894.70
Due from Isthmus agency.....	4,855.81	Due Department of Panama.....	18,750.00
General European agents	2,094.35	Due connecting companies.....	32,513.86
Accrued interest on deposits	1,306.94	Accounts payable	2,441.24
Advance of subsidy to United States of Colombia	2,152,000.00	Miscellaneous accounts unpaid	3,325.34
General mortgage 7 per cent sterling bonds in treasury	471,000.00	Corrected surplus, Dec. 31, 1892	1,717,554.65
Due by sinking fund	17,284.12	Addition to surplus for year 1893 ...	75,795.77
Advances to Panama R. R. Company's steamers	115,131.38		
	<hr/>		<hr/>
To surplus Dec. 31, 1893.....	15,177,882.38		15,177,882.38
	1,793,350.42		

E. A. DRAKE, *Secretary.**Treasurer's statement.*

DECEMBER 31, 1893.

CURRENT ASSETS.	
Cash in bank, New York	\$51,910.31
Cash in bank, London (£4,719 19s. 1d. at \$4.85, the company's rate) ..	22,888.24
Cash in hands of agents.....	32,299.08
Deposited with trust companies	125,000.00
Uncollected earnings (partly estimated)	80,967.67
Petty cash	141.01
Accrued interest on deposits.....	1,306.94
Coal and supplies on hand	169,322.99
United States of Colombia for advance of subsidy.....	2,152,000.00
Sinking fund	17,284.12
Due from Isthmus agency	23,358.66
	<hr/>
	2,676,479.02

CURRENT LIABILITIES.

Isthmus drafts	\$40,549.13
Miscellaneous accounts unpaid	21,629.58
Coupons not presented	1,710.00
Accrued interest on bonds	74,768.69
Due Department of Panama	18,750.00
Six per cent subsidy bonds	2,152,000.00
	\$2,309,407.40

Excess of assets 367,071.62

Surplus December 31, 1893, as per balance 1,793,350.42
 Corrected surplus December 31, 1892, as per balance 1,717,554.65

Increase of surplus 75,795.77

ERNEST L. OPPENHEIM, *Treasurer.*

Statement of bonded indebtedness and sinking fund.

DECEMBER 31, 1893.

The bonded indebtedness of the company consists of:

First. 4,000 seven per cent sterling bonds of £200 each, amounting to £800,000 (say \$4,000,000), of which 2,989 were issued October 10, 1867, and fall due October 10, 1897. The remaining 1,011 were issued on the 10th of October, 1892, and fall due on the 10th of October, 1897, but by resolution of the board of directors the holder is given the option of having them extended for ten years, at 5 per cent per annum, to the 10th day of October, 1907; the company reserving to itself the right of redemption at 1905 and accrued interest of such extended bonds at any date subsequent to the 10th day of October, 1902. Of this latter issue 471 bonds are in the company's treasury.

To meet this bonded indebtedness the company has the following sinking fund:

663 Panama seven per cent general mortgage sterling bonds, valuation .	\$663,000.00
368 Panama six per cent subsidy bonds, valuation	368,000.00
100 six per cent railway mortgage bonds, cost	101,080.00
270 five per cent railway mortgage bonds, cost	239,829.59
100 four per cent railway mortgage bonds, cost	81,563.75

1,453,473.34

Due Panama Railroad Company 17,284.12

1,436,189.22

Second. 2,152 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,152,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

ERNEST L. OPPENHEIM, *Treasurer.*

[Extracts from Report of the Panama Railroad Company for 1894.]

Statement of earnings and expenditures for the year ending December 31, 1894.

EARNINGS.

Earnings of the road:	
Colon to Panama—	
From freight.....	\$574,807.91
From treasure.....	6,516.62
From mails.....	29,648.53
From passengers	31,431.54
	\$642,404.60

Earnings of the road—Continued.

Panama to Colon—	
From freight.....	\$370,582.42
From treasure.....	10,801.56
From mails.....	4,835.30
From passengers.....	27,909.89
	\$414,129.17
Miscellaneous receipts:	
Interest and exchange.....	1,510.41
Lighterage.....	213,590.41
Water supplied shipping.....	42,365.38
Rental of property, ballast, wharfage, light dues, telegraph, etc.....	62,285.77
	319,751.97
Total earnings.....	1,376,285.74

EXPENDITURES.

Operating expenses on the Isthmus.....	631,986.30
Lost and damaged freight.....	2,657.94
Drawback on Colombian produce.....	16,716.52
New York office expenses.....	44,179.37
Miscellaneous expenditures in New York.....	18,206.91
Legal expenses and judgments.....	24,240.06
Agency charges.....	7,105.94
	745,093.04
Total expenses.....	745,093.04
Leaving net earnings.....	631,192.70
From which deduct:	
Subsidy to Republic of Colombia.....	35,000.00
Redemption of subsidy bonds.....	97,000.00
Interest on subsidy bonds.....	129,120.00
Interest on sterling bonds.....	239,619.10
	500,739.10
Surplus.....	130,453.60

E. A. DRAKE, *Secretary.**Comparative statement of earnings and expenses for the years 1893 and 1894.*

Gross earnings, 1893.....	\$1,414,126.72
Gross earnings, 1894.....	1,376,285.74
Decrease (2.67 per cent)....	37,840.98
Operating expenses, 1893.....	\$916,761.38=64.82 per cent of gross earnings.
Operating expenses, 1894.....	745,093.04=54.14 per cent of gross earnings.
Decrease (18.72 per cent)...	171,668.34
Net earnings, 1893.....	\$497,365.34=35.18 per cent of gross earnings.
Net earnings, 1894.....	631,192.70=45.86 per cent of gross earnings.
Increase (26.91 per cent)...	133,827.36

E. A. DRAKE, *Secretary.*

Condensed balance sheet, December 31, 1894.

ASSETS.		LIABILITIES.	
Cost of road and equipment.....	\$10,225,320.73	Capital stock	\$7,000,000.00
Real estate at Isthmus.....	263,616.74	General mortgage bonds	4,000,000.00
Material on hand.....	117,801.54	Subsidy 6 per cent bonds.....	2,055,000.00
Uncollected earnings (partly estimated)	105,245.73	Fund for redemption of subsidy bonds.....	56,310.00
Accounts receivable.....	95,372.02	Accrued interest on bonds	73,798.69
Sinking fund.....	1,514,821.58	Isthmus drafts unrepresented.....	31,853.73
Cash on hand in New York	188,975.32	Overdue coupons.....	3,300.00
Cash on hand in London.....	28,458.57	Unclaimed dividends.....	149.00
Cash on hand in Isthmus agency..	11,479.33	Balances due deceased or missing employees	894.70
Due from Isthmus agency.....	23,177.24	Due department of Panama.....	18,750.00
General European agents	3,838.39	Due connecting companies.....	26,203.90
General agents, New York	1,190.38	Accounts payable.....	702.40
General agents, San Francisco	177.06	Miscellaneous accounts unpaid....	6,914.24
Accrued interest on deposits	1,261.09	Due sinking fund.....	158,911.99
Advance of subsidy to Republic of Colombia	2,055,000.00	Corrected surplus, December 31, 1893	1,797,884.04
General mortgage 7 per cent sterling bonds in Treasury	471,000.00	Addition to surplus for year 1894 ..	87,292.65
Advances to Panama Railroad Company's steamers.....	211,229.62		
	<hr/>		<hr/>
To surplus December 4, 1894.....	15,317,965.34		15,317,965.34
	1,885,176.69		

E. A. DRAKE, *Secretary.*

Treasurer's statement.

DECEMBER 31, 1894.

CURRENT ASSETS.

Cash in bank, New York	\$63,795.96
Cash in bank, London (£5,867 14s. 11d. at \$4.85, the company's rate) ..	28,458.57
Cash in hands of agents.....	16,685.16
Deposited with trust companies	125,000.00
Uncollected earnings (partly estimated)	105,245.73
Petty cash	179.36
Accrued interest on deposit	1,261.09
Coal and supplies on hand	117,801.54
Republic of Colombia for advance of subsidy.....	2,055,000.00
Miscellaneous accounts uncollected	60,507.78
Due from Isthmus agency	23,177.24
	<hr/>
	2,597,112.43

CURRENT LIABILITIES.

Isthmus drafts	\$31,853.73
Sinking fund.....	158,911.99
Coupons not presented.....	3,300.00
Accrued interest on bonds	73,798.69
Due department of Panama	18,750.00
Six per cent subsidy bonds.....	2,055,000.00
	<hr/>
	2,341,614.41
	<hr/>
Excess of assets	255,498.02
	<hr/>
Surplus December 31, 1894, as per balance	1,885,176.69
Corrected surplus December 31, 1893, as per balance.....	1,797,884.04
	<hr/>
Increase of surplus	87,292.65

ERNEST L. OPPENHEIM, *Treasurer.*

STATEMENT OF BONDED INDEBTEDNESS AND SINKING FUND.

DECEMBER 31, 1894.

The bonded indebtedness of the company consists of:

First. 4,000 seven per cent sterling bonds of £200 each, amounting to £800,000 (say \$4,000,000), of which 2,989 were issued October 10, 1867, and fall due October 10, 1897. The remaining 1,011 were issued on the 10th of October, 1892, and fall due on the 10th of October, 1897, but by resolution of the board of directors the holder is given the option of having them extended for ten years, at 5 per cent per annum, to the 10th day of October, 1907, the company reserving to itself the right of redemption at 105 and accrued interest of such extended bonds at any date subsequent to the 10th day of October, 1902. Of this latter issue 471 bonds are in the company's treasury.

To meet this bonded indebtedness the company has the following sinking fund:

663 Panama seven per cent general mortgage sterling bonds, valuation	\$663,000.00
352 Panama six per cent subsidy bonds, valuation	352,000.00
100 six per cent railway mortgage bonds, cost	101,080.00
270 five per cent railway mortgage bonds, cost	239,829.59
	1,355,909.59
Due by Panama Railroad Company	158,911.99
	1,514,821.58

Second. 2,055 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$2,055,000, were issued November 1, 1880, and fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund, for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid in November 1 after each drawing, and thereby redeeming the whole issue in 1908.

ERNEST L. OPPENHEIM, *Treasurer.*

[Extracts from Report of the Panama Railroad Company for 1895.]

NEW YORK, *March 25, 1896.*

TO THE PRESIDENT AND BOARD OF DIRECTORS
OF THE PANAMA RAILROAD COMPANY,
New York.

GENTLEMEN: The following report of the operations for the year ending December 31, 1895, and statements showing the financial condition of the company at the close of the year, are respectfully submitted.

The gross earnings and the total expenses of the railroad have been as follows:

Statement of earnings and expenditures.

	1895.	1894.	Increase.	Decrease.
EARNINGS.				
Colon to Panama:				
From freight	\$711,745.31	\$574,807.91	\$136,937.40	
From treasure	8,283.06	6,516.62	1,766.44	
From mails	31,790.68	29,648.53	2,142.15	
From passengers	38,696.01	31,431.54	7,264.47	
	790,515.06	642,404.60	148,110.46	
Panama to Colon:				
From freight	471,174.97	370,582.42	100,592.55	
From treasure	10,622.40	10,801.56		\$179.16
From mails	5,581.46	4,835.30	746.16	
From passengers	33,741.77	27,909.89	5,831.88	
	521,120.60	414,129.17	106,991.43	

Statement of earnings and expenditures—Continued.

	1895.	1894.	Increase.	Decrease.
EARNINGS—continued.				
Miscellaneous receipts:				
Interest and exchange.....	\$21,036.53	\$12,952.59	\$8,083.94	.....
Ligherage.....	279,518.30	213,590.41	65,927.89	.....
Water supplied shipping.....	51,236.67	42,365.38	8,871.29	.....
Rental of property.....	22,742.06	19,190.77	3,551.29	.....
Ballast.....	92.91	.....	92.91	.....
Wharfage and light dues.....	16,441.75	14,624.00	1,817.75	.....
Telegraph.....	3,077.40	3,321.67	.....	\$244.27
Other items.....	659.36	777.03	.....	117.67
	394,804.98	306,821.85	87,983.13	.....
Total earnings.....	1,706,440.64	1,363,355.62	343,085.02	.....
EXPENDITURES.				
General expenses.....	97,978.69	86,626.34	11,352.35	.....
European and South American agency expenses.....	7,129.55	7,105.94	23.61	.....
Lost and damaged freight.....	4,891.33	2,657.94	2,233.39	.....
Drawback on Colombian produce.....	16,750.19	16,716.52	33.67	.....
Republic of Colombia, for nonextension of road.....	10,000.00	10,000.00	.....	.....
Operating expenses on the Isthmus:				
Superintendence.....	52,422.21	57,389.74	.....	4,967.53
Conducting transportation.....	157,688.94	148,966.21	8,722.73	.....
Supply department.....	6,655.68	15,567.26	.....	8,911.58
Ligherage.....	114,655.72	90,841.47	23,814.25	.....
Wharves.....	54,543.36	33,377.32	21,166.04	.....
Real estate.....	10,231.92	9,808.70	423.22	.....
Repairs, Colon buildings.....	45,409.01	30,210.21	15,198.80	.....
Colon station.....	57,485.09	52,639.73	4,845.36	.....
Panama station.....	91,397.15	80,377.66	11,019.49	.....
Maintenance of way.....	53,888.02	64,846.76	.....	10,958.74
Telegraph.....	1,713.65	2,048.17	.....	334.52
Taboga waterworks.....	33,421.77	29,450.25	3,974.52	.....
Freight on stores.....	3,554.00	3,532.70	21.30	.....
	819,819.28	742,162.92	77,656.36	.....
Advances to steamers:				
Colombian Line.....	62,790.75	43,565.52	19,225.23	.....
Panama Line.....	239,697.95	167,664.10	72,033.85	.....
Steamer Saturn, voyage San Francisco to New York.....	31,269.71	.....	31,269.71	.....
	333,758.41	211,229.62	122,528.79	.....
Total operating expenses.....	1,153,577.69	953,392.54	200,185.15	.....
Earnings over operating expenses.....	552,862.95	409,963.08	142,899.87	.....
Deduct fixed charges:				
Subsidy to Republic of Colombia.....	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds.....	102,000.00	97,000.00	5,000.00	.....
Interest on subsidy bonds.....	123,300.00	129,120.00	.....	5,820.00
Interest on sterling bonds.....	239,619.10	239,619.10	.....	.....
	489,919.10	490,739.10	.....	820.00
Earnings over fixed charges.....	62,943.85	.....	143,719.87	.....
Fixed charges over earnings.....	.....	80,776.02	.....	.....

Compared with those of the preceding year, the total gross earnings for 1895 increased \$343,085.02, or 25.16 per cent, and the operating expenses, \$200,185.15, or 21 per cent, making an increase in net earnings of \$142,899.87.

The increase in gross earnings is very gratifying. It was general upon all classes of earnings, but bore more especially upon freight traffic and ligherage. The increase from freight traffic was \$237,529.95, or 25.12 per cent; from ligherage, \$65,927.89, or 30.87 per cent; in earnings from passenger traffic, \$13,096.35 or 22.07 per cent; in earnings from interest and exchange, \$8,083.94, or 62.41 per cent; in earnings from water supplied shipping, \$8,871.29, or 20.94 per cent; in earnings from rental of property, \$3,551.29, or 18.50 per cent.

FREIGHT TRAFFIC.

The following table will show comparatively the freight transported over the Panama Railroad during the years 1895 and 1894:

Years ending December 31—	1895.	1894.	Increase.
Tons carried west bound:			<i>Per cent.</i>
Local	16,993	15,660	8.51
From Europe to all destinations	81,686	62,536	36.62
From New York to all destinations	51,308	42,885	19.64
Total	149,987	121,081	23.87
Tons carried east bound:			
Local	4,331	2,795	54.96
From all destinations to Europe	69,005	60,824	13.45
From all destinations to New York	47,740	31,976	49.30
Total	121,076	95,595	26.65
Total east bound and west bound	271,063	216,676	25.10

Compared with the freight business for 1894, the number of tons moved in 1895 shows an increase of 54,387, or 25.10 per cent, and the freight earnings an increase of \$237,529.95, or 25.12 per cent.

Of the total tonnage moved, 55.33 per cent was west-bound traffic, and 44.67 per cent east-bound traffic.

The through traffic amounted to 92.13 per cent of the total number of tons moved.

TABLE B.—*Treasurer's statement.*

DECEMBER 31, 1895.

CURRENT ASSETS.

Cash in banks, New York	\$77,782.87
Cash in banks, London (£7,935 2s. 10d. at \$4.85, company's rate)	38,485.44
Cash in hands of agents	22,475.27
Petty cash	118.20
Deposited with trust companies	85,000.00
Uncollected earnings (partly estimated)	84,581.31
Coal and supplies on hand	141,597.97
Accrued interest on deposits	108.06
Accounts receivable	127,608.58
Advance of subsidy to Republic of Colombia	1,953,000.00
	<hr/>
	2,530,757.70

CURRENT LIABILITIES.

Isthmus drafts not presented	\$30,770.75
Coupons not presented	3,945.80
Subsidy bonds not presented	3,000.00
Accrued interest on bonds	72,778.69
Miscellaneous accounts unadjusted	57,872.42
Due connecting companies	37,082.66
Due department of Panama	21,875.00
Due sinking fund	374,737.59
Six per cent subsidy bonds	1,953,000.00
	<hr/>
	2,555,062.91
Excess of liabilities	<hr/>
	24,305.21
Corrected surplus December 31, 1894, as per balance	1,884,158.41
Surplus December 31, 1895, as per balance	1,644,145.47
	<hr/>
Decrease of surplus	240,012.94

S. DEMING, *Treasurer.*

TABLE C.—*Statement of bonded indebtedness and sinking fund.*

DECEMBER 31, 1895.

The bonded indebtedness of the company consists of:

First. 4,000 seven per cent sterling bonds of £200 each, amounting to £800,000 (say \$4,000,000), of which \$2,989 were issued October 10, 1867, and fall due October 10, 1897. The remaining 1,011 were issued on the 10th of October, 1892, and fall due on the 10th of October, 1897, but by resolution of the board of directors the holder is given the option of having them extended for ten years, at 5 per cent per annum, to the 10th day of October, 1907, the company reserving to itself the right of redemption at 105 and accrued interest of such extended bonds at any date subsequent to the 10th day of October, 1902. Of this latter issue 471 bonds are in the company's treasury.

To meet this bonded indebtedness the company has the following sinking fund:

693 Panama seven per cent general mortgage sterling bonds, valuation..	\$693,000.00
326 Panama six per cent subsidy bonds, valuation.....	326,000.00
100 six per cent railway mortgage bonds, cost.....	101,080.00
120 five per cent railway mortgage bonds, cost.....	109,120.84
	1,229,200.84
Due by Panama Railroad Company	374,737.59
	1,603,938.43

Second. 1,953 six per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$1,953,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund, for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

S. DEMING, *Treasurer.*

[Extracts from the forty-seventh annual report of the Panama Railroad Company.]

NEW YORK, *March 25, 1897.*

To the Stockholders of the Panama Railroad Company.

GENTLEMEN: I now submit for your consideration the report of the vice-president and general manager, with accompanying statements of earnings and expenditures for the calendar year 1896, accompanied by the treasurer's condensed balance sheet.

Despite the fact that the tendency of all transportation rates for the past twelve months has been downward, and that the earnings from traffic of all kinds moved over our route show a loss of \$110,061.36, the company, owing to very important reductions in the cost of operation of the railroad and of the company's steamship line, and to the owning and operation of steamers between New York and Colon, has been able to more than counterbalance all unfavorable influences. The result of fifteen months' operation of the contract of December 16, 1895, with the Pacific Mail Steamship Company entirely supports the estimate made of its value to the company.

The effort previously made to establish a so-called Government telegraph line across the Isthmus was revived during the year, and has been met by a vigorous protest to the Colombian Government by the company, and has accordingly been suspended.

A law department has been created and the entire legal affairs of the company placed in the hands of eminent counsel.

All of the company's officers and employees who are responsible for the safe handling of its funds have been bonded in a responsible surety company in New York.

The thirty year 7 per cent sterling mortgage bonds of the company, originally issued to the amount of £1,000,000 (\$5,000,000), mature on October 10, 1897.

Although there was no sinking fund obligation which required it so to do, the company from motives of prudence voluntarily set aside surplus earnings, from time to time, for the purpose of meeting the bonds at maturity, and has thus voluntarily

reduced the balance, for which provision is to be made, to the comparatively small sum of £537,600, as will be seen from the following statement, viz:

Original sterling bond issue.....	£1,000,000
Bonds of this issue heretofore redeemed or now in the hands of the company, acquired from time to time and ready for cancellation.....	462,400
	<hr/>
	537,600
For the retirement of which the company holds United States Government bonds and other securities set aside from time to time for this purpose in its voluntary sinking fund.....	187,800
	<hr/>
Balance December 31, 1896.....	£349,800
To which will also be applicable:	
Interest to accrue on bonds in voluntary sinking fund to October 10, 1897, and estimated net earnings to July 1, 1897, amounting to.....	50,400
	<hr/>
Leaving to be provided for at maturity of bonds (after application of foregoing).....	299,400

There are but 2,688 of these bonds now in the hands of the public.

For the purpose of meeting said balance of £299,400, and of making prudent provision for the present improvements of terminals and service, as well as for the future development and requirements of the company, a new issue of twenty year $4\frac{1}{2}$ first mortgage sinking fund gold bonds will be made by the company for the present amount of \$2,000,000, but limited in the aggregate to \$4,000,000, and reduced in interest rate to $4\frac{1}{2}$ per cent per annum. By this reduction in the principal, and also in the rate of interest, the company has reduced its annual fixed charge over \$100,000.

From the sale of \$2,000,000 of the new $4\frac{1}{2}$ first mortgage sinking fund gold bonds about to be issued, and with its voluntary cash fund the company will have sufficient to retire the outstanding sterling mortgage bonds at maturity and leave a surplus of half a million.

This new mortgage will constitute the only mortgage indebtedness of the company.

The company has outstanding \$1,846,000 subsidy sinking fund bonds, finally maturing November 1, 1910, before which time, however, they will have been retired.

These last-mentioned bonds are not secured by a mortgage, and do not represent any increased indebtedness. They were originally \$3,000,000, and were merely issued in the year 1880, at the request of the Colombian Government, to capitalize for the Government for twenty-seven years (and put in the form of negotiable bonds for the utilization of the Government) the annual subsidy of \$225,000 provided for by the concessions. The company draws and pays annually an amount of these bonds which, with the interest on the whole outstanding issue, equals the cash subsidy of \$225,000, which it would otherwise pay directly to the Government; but this does not involve any interest charge or additional payment, indebtedness, or burden upon this company. The original issue was \$3,000,000, but by annual drawings, as indicated, the company has paid and cancelled \$1,154,000. The interest payment is made by the company out of the \$225,000 due the Government, and bonds are then drawn annually for the difference up to the \$225,000, and in this way the issue will be annually reduced and retired before maturity, when the payment of the annual subsidy direct to the Government will be again renewed.

The fixed charges of the company are only the fixed annual concessionary charge, \$250,000, and interest on the present issue of bonds.

To meet the requirements of the developing traffic of the Pacific coast with the United States and Europe, and to abolish the system of lighterage service in the bay of Panama which has prevailed for nearly fifty years, and to introduce the most improved methods of loading, unloading, and handling traffic, the company has contracted for the construction of a great pier, harbor, and other like improvements and facilities in the bay of Panama, permitting the loading and unloading of cargoes directly from vessel to cars. These improvements are now under way and will cost about \$1,000,000.

The large savings in expenses of operation of direct shipment over the lighterage (involving double handling of cargoes) is self-evident; while the increase in business from the shortening of the voyage at least seven days, freedom from delays, interruptions and accidents, and general facilitation of business, give assurance that the annual cash results from these improvements will be far in excess of the annual interest charge represented thereby.

Additions to the company's fleet of steamers, the establishment of grain elevators and warehouses on the Isthmus, and other equally important improvements are also contemplated in the early future. These latter additions and improvements will involve an expenditure during the next few years of about \$700,000.

Although the company does not design the issue at present of more than \$2,000,000 of said bonds, provision for the future in the completion of the remunerative improvements above suggested, and others contemplated, have made it prudent to provide for an ultimate issue in the future to the aggregate amount of \$4,000,000, but under very strict conditions upon further issues to insure the security and protection both of the bondholders and the company.

The railroad and its equipment, as well as the steamships, tugs, lighters, and other property of the company, have been brought to a high state of efficiency.

While thus presenting the record of the year just closed, a few observations of a general nature may be useful.

The concessions from the United States of Colombia, granted originally in 1850, run to A. D. 1966, and have continued for forty-seven years unimpeached and unquestioned. They are of great value and represent as well a large cash investment fully discharged, and leaving payable only the annual subsidy of \$250,000. By the terms of its concession all property of the company is entirely exempt from taxation, and the value of this will be appreciated.

The corporation exists under perpetual and special charter granted by the legislature of the State of New York April 7, 1849, and covers powers to operate steamship as well as railroad lines under these concessions and otherwise.

The net earnings of the company for the past five years have averaged \$614,781.69 per annum. The net earnings for the past year are \$1,035,303.63. The years of 1893, 1894, and 1895 were the years of aggressive competition by this company to secure and establish the firm position it attained in 1895.

During the ten years prior to 1893 the company paid to its stockholders an average of 7.2 per cent per annum in dividends, but for the past four years has found it more advantageous (under the liberal encouragement of its stockholders) to apply the net earnings to the purchase of three large steamers, and otherwise for the improvement and protection of its increasing transportation interests. The year that has just closed shows 7 per cent net earned on the \$7,000,000 of stock after payment of everything due, which will not be distributed to stockholders.

The results of operation during the past four years have been of especial value and interest to security holders.

On the Atlantic side.—The company has completely established its supremacy. It established its own steamship line between New York and the Isthmus of Panama, and this is now the only line between said points. The company owns and has fully paid for the three steamers in question, aggregating 8,193 tons burthen, and operating in said regular service.

It has strengthened its connections and traffic arrangements with steamship lines running between Colon and the principal ports of Great Britain, France, Belgium, Germany, Spain, and Italy, thus connecting all European points, most of which it has held for over thirty years.

On the Pacific side.—It has secured its liberty after next year from the restrictive contract made in 1872, excluding it from Central America. That most profitable country thus will again be opened to the company after 1898.

It has established contracts which secure regular and effective service and connections between Panama and the western coast of the continent north to San Francisco and south to Valparaiso, Chile.

It is gratifying to contemplate that your company has continued without cessation or financial default for a single moment for the almost half century of its existence.

I respectfully refer you to the accompanying reports for further particulars.

Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 24, 1897.

To the President of the Panama Railroad Company.

SIR: I respectfully submit the following report of the business and operation of the company for the year ending December 31, 1896, and of the condition of its property and finances at the close of the year.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1896.	1895.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$704,992.89	\$711,745.31	.....	\$6,752.42
Treasure	3,803.11	8,283.06	.....	4,479.95
Mails	36,638.52	31,790.68	\$4,847.84	.....
Extra baggage	^a 10,540.11	.....	10,540.11	.....
Passengers	50,287.72	38,696.01	11,591.71	.....
	806,262.35	790,515.06	15,747.29	.....
Panama to Colon—				
Freight	322,356.74	471,174.97	.....	148,818.23
Treasure	17,209.91	10,622.40	6,587.51	.....
Mails	5,057.41	5,581.46	.....	524.05
Extra baggage	^a 6,236.79	.....	6,236.79	.....
Passengers	44,451.10	33,741.77	10,709.33	.....
	395,311.95	521,120.60	.....	125,808.65
Total earnings of railroad	1,201,574.30	1,311,635.66	.....	110,061.36
Steamship lines:				
Panama Railroad Steamship Line—				
Freight	468,878.60	388,545.49	150,215.35	.....
Treasure	11,261.36			
Mails	55,862.66			
Extra baggage	2,758.22			
Passengers	140,673.14	52,207.73	88,465.41	.....
Miscellaneous	^b 11,770.80	.....	11,770.80	.....
	691,204.78	440,753.22	250,451.56	.....
Temporary Pacific Line—				
Freight	31,000.05	292,849.32	.....	261,849.27
Total earnings of steamship lines	722,204.83	733,602.54	.....	11,397.71
Joint railroad and steamship receipts—				
Interest and exchange	9,853.87	21,036.53	.....	11,182.66
Lighterage	210,232.01	279,518.30	.....	69,286.29
Water supplied shipping	60,469.69	51,236.67	9,233.02	.....
Rental of property	21,666.76	22,742.06	.....	1,075.30
Wharfage, storage, and light dues	37,225.71	16,441.75	20,783.96	.....
Telegraph	4,436.70	3,077.40	1,359.30	.....
Miscellaneous	^c 3,477.64	752.27	2,725.37	.....
	347,362.38	394,804.98	.....	47,442.60
Total earnings	2,271,141.51	2,440,043.18	.....	168,901.67
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus	40,497.65	59,077.89	.....	18,580.24
Conducting transportation	228,335.10	311,838.83	.....	29,538.51
Maintenance of equipment	53,965.22			
Maintenance of way and structure	59,600.21			
	382,398.18	424,804.74	5,712.19	.....
Operating expenses of steamship lines:				
Panama Railroad Steamship Line—				
Steamer expenses	351,216.74	391,214.62	.....	39,997.88
Replacement of boilers and special repairs	2,199.96	.....	2,199.96	.....
Agency expenses	102,253.42	100,329.35	1,924.07	.....
Charter of steamers	13,500.00	12,000.00	1,500.00	.....
	469,170.12	503,543.97	.....	34,373.85

^a In 1895 extra baggage earnings were included in freight earnings.

^b In 1895 these receipts were included in receipts from freight.

^c This item includes \$2,059.69 for switching. In 1895 these receipts were deducted from transportation expenses.

Statement of earnings and expenditures—Continued.

	1896.	1895.	Increase.	Decrease.
EXPENDITURES—continued.				
Operating expenses of steamship lines.—Cont'd.				
Temporary Pacific Line—				
Steamer expenses.....	\$24,440.07	\$191,259.67	.....	\$466,819.60
Agency expenses.....	3,055.67	41,287.60	.....	38,231.93
Steamer Saturn, voyage San Francisco to New York.....		31,269.71	.....	31,269.71
	27,495.74	563,816.98	.....	536,321.24
Total for steamship lines.....	496,665.86	1,067,360.95	.....	570,695.09
Joint railroad and steamship expenses—				
General expenses.....	102,578.68	97,978.69	\$4,599.99	.....
Foreign agency expenses.....	15,307.49	7,129.55	8,177.94	.....
Losses on cargo.....	6,553.63	4,891.33	1,662.30	.....
Drawback on Colombian produce Republic of Colombia for nonextension of road.....	13,643.78	16,750.19	.....	3,106.41
Lighterage.....	10,000.00	10,000.00	.....	.....
Docks and wharves.....	116,863.18	114,655.72	2,207.46	.....
Real estate.....	45,849.50	54,543.36	.....	8,693.86
Repairs Colon buildings.....	12,602.53	10,231.92	2,370.61	.....
Taboga waterworks.....		45,409.01	.....	45,409.01
	33,375.05	33,424.77	.....	49.72
	356,773.84	395,014.54	.....	38,240.70
Total expenditures.....	1,235,837.88	1,887,180.23	.....	651,342.35
Earnings over operating expenses.....	1,035,303.63	552,862.95	482,440.68	.....
Deduct fixed charges—				
Subsidy to Republic of Colombia.....	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds.....	107,820.00	102,000.00	5,820.00	.....
Interest on subsidy bonds.....	117,180.00	123,300.00	.....	6,120.00
Interest on sterling bonds.....	239,619.10	239,619.10	.....	.....
	489,619.10	489,919.10	.....	300.00
Net income.....	545,684.53	62,943.85	482,740.68	.....

Compared with those of the preceding year, the total gross earnings for 1896 show a decrease of \$168,901.67, or 6.92 per cent, and the operating expenses a decrease of \$651,342.35, or 34.51 per cent, making an increase in net earnings of \$482,440.68, or 87.26 per cent.

Taking into consideration the severe business depression which prevailed during a large portion of the year, the poor coffee crop in Central America, and the strong competition between transportation interests, these results may be considered very satisfactory.

EARNINGS.

RAILROAD.

The decrease in total earnings of the railroad was \$110,061.36, or 8.39 per cent, and results entirely from freight. There are increases on all other classes of earnings.

The following table will show, comparatively, the freight tonnage over the railroad during the years 1896 and 1895:

	Year ending December 31, 1896.	Year ending December 31, 1895.	Increase.	Decrease.
	Tons.	Tons.	Per cent.	Per cent.
West bound.....	180,476	149,987	20.33	.....
East bound.....	98,721	121,076	.....	18.46
Total.....	279,197	271,063	3.00	.....

The gross earnings per ton moved on the road compare as follows:

	Year ending December 31, 1896.	Year ending December 31, 1895.	Decrease in 1896.
West bound	\$3.91	\$4.74	<i>Per cent.</i> 17.51
East bound	3.26	3.89	16.19
Average	3.68	4.36	15.59

It will be seen by Table No. 1 that the decrease on freight tonnage bears more particularly on the business between the two coasts of the United States; this important decrease is due to the depression already referred to.

The decrease from the west coast of America to Europe was more especially caused by a largely reduced coffee crop in Central America in 1896.

As will be seen by the following statement the east-bound traffic has fallen off on almost all classes of freight:

	1896.	1895.	Increase.	Decrease.
Products of agriculture:			<i>Per cent.</i>	<i>Per cent.</i>
Cotton	460	1,805		74.51
Cocoa	139,078	178,776		22.20
Coffee	609,655	827,976		26.37
Indigo	7,123	8,891		19.89
Ivory nuts	32,499	23,962	35.63	
Rubber	10,596	11,737		9.72
Tobacco	1,767	1,699	1.00	
Balsam	739	640	15.47	
Plants	23	142		83.80
Coca	3,480	1,537	126.41	
Sarsaparilla	9		100.00	
Straw	245	71	245.07	
Barley		46,664		100.00
Beans	20,821	40,434		48.50
Mustard seed	5,944	28,950		79.47
Tea		117		100.00
Products of animals:				
Hides	115,473	131,489		12.18
Hides and skins	5,732	7,799		26.50
Wool	15	671		97.76
Leather	337	928		63.68
Glue	250	476		47.47
Products of mines:				
Ore	4,058	3,548	14.38	
Lead	2,390	9,355		74.45
Products of the forest:				
Bark	3,146	6,211		49.35
Mahogany, logs	214	666		67.87
Manufactures:				
Sugar	1,004	5,321		81.13
Iodine	3,414	1,019	235.03	
Hats	221	237		6.75
Quicksilver		10,600		100.00
Wine	23,759	56,784		58.15
Rags	1,526	3,796		59.80
Borax	36,356	21,893	66.06	
Bone dust		14,905		100.00
Canned goods	73,370	234,773		68.75
Asphaltum	1,227	2,019		39.22
Antimony		10		100.00
Treasure	8,027	4,964	61.70	
Miscellaneous	2,333	6,795		65.66

The increase in tonnage from Europe and New York to the west coast is due to new agreements made with the South Pacific and Central American carriers and to reductions of rates to meet Magellan competition.

Business on the Isthmus of Panama has been more active than in 1895, which accounts for the increase in local freight between Colon and Panama.

Compared with the freight business of 1895, the total tonnage moved over the road in 1896 shows an increase of 8,134 tons, or 3 per cent, and the freight earnings a decrease of \$138,793.75, or 11.73 per cent.

Of the total tonnage moved, 64.64 per cent was west-bound traffic and 35.36 per cent east bound. In 1895 these proportions were 55 and 45.

Through traffic amounted to 83.57 per cent of the total number of tons moved.

In 1896 there was an increase of earnings of \$2,107.56, or 11.15 per cent on treasure, and of \$4,323.79, or 11.57 per cent on mails.

Passenger earnings and passengers carried were as follows:

Classification.	Passengers carried.			Passenger earnings.		
	1896.	1895.	Increase.	1896.	1895.	Increase.
			<i>Per cent.</i>			<i>Per cent.</i>
First class.....	6,293	5,283	19.12	\$35,360.15	\$29,949.90	18.06
Second class.....	97,464	57,806	68.60	59,378.67	42,487.88	39.75
Total.....	103,757	63,089	64.46	94,738.82	72,437.78	30.75

Average receipt per passenger.

Classification.	1896.	1895.	Increase.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>
First class:				
Through.....	\$8.73	\$8.73	.....	.....
Local.....	2.69	2.55	5.49	.....
Second class:				
Through.....	4.18	4.49	.....	6.90
Local.....	.52	.59	.....	11.86

The increase of 40,668, or 64.46 per cent, in number of passengers carried, and of \$22,301.04, or 30.78 per cent, in earnings is due chiefly to local passengers.

First-class passengers carried increased 19.12 per cent in numbers and 18.06 per cent in earnings.

Second-class passengers carried increased 68.60 per cent in numbers and 39.75 per cent in earnings.

The average receipts for each first-class passenger was \$5.62 in 1896, as compared with \$5.67 in 1895, a decrease of 0.88 per cent, and for second-class passengers \$0.61 in 1896 as compared with \$0.73 in 1895, a decrease of 16.44 per cent.

The decrease in receipts from second-class passengers is chiefly due to special rates made for the transportation of emigrants across the Isthmus.

STEAMSHIP LINES.

Under the contract with the Pacific Mail Steamship Company, dated December 16, 1895, this company ceased the operation of the direct line of steamers it had operated between Panama and San Francisco, and the Pacific Mail Steamship Company discontinued the operation of its line of steamers between New York and Colon, which had run in competition with the Panama Railroad Company's line on the Atlantic.

This company's Pacific line was discontinued in the beginning of 1896, the last steamer arriving in San Francisco January 28; consequently its gross earnings in 1896 were only \$31,000.05, against \$292,849.32 in 1895, making an apparent decrease of \$261,849.27.

The gross earnings of the Atlantic line in 1896 were in excess of those of 1895 by \$250,451.56, or 56.82 per cent. Table No. 13 gives the detailed statement of monthly earnings.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

There is a decrease of \$47,442.60, or 12.02 per cent, on this class of receipts, which arises entirely from interest and exchange and upon lighterage.

The decrease in interest and exchange is the result of reduced sales at lower average rates of the company's drafts at Colon upon New York.

There is an increase of \$9,233.02 on water supplied to shipping. In 1895 a portion of the water sold was carried to the credit of transportation; in 1896 all the receipts from this source were included in earnings. Besides this change there has also been an increase in the sales of water.

The lighterage receipts in Panama Bay were unusually high in 1895, because of a more than average coffee crop. In 1896 the movement of coffee was smaller and, in addition, eastbound traffic was greatly reduced on account of general business depression, already referred to. There was also a large decrease in the lighterage of coal,

in consequence of the withdrawal of this company's line of steamers between Panama and San Francisco, and from the fact that the Pacific Mail Steamship Company had its coal brought by vessels to Panama instead of, as formerly, from Colon. These different causes account for the decrease of \$69,286.29 in lighterage receipts.

The following table will show the number of tons lightered during the years 1896 and 1895:

	1896.	1895.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise.....	162,661	197,395	.....	17.60
Lumber.....	319	311	2.57	.....
Coal.....	5,815	27,021	.....	78.48
Total.....	168,795	224,727	.....	24.89

Until quite lately wharfage rates charged on the Isthmus to shipping were much lower than those of contiguous ports, while on the other hand the outlay for heavy repairs and replacements was largely in excess of receipts and involved a very serious loss. After proper and complete investigation the rates were reasonably increased, and receipts for wharfage, storage, and light dues in 1896 were in consequence \$20,783.96 in excess of corresponding receipts for 1895.

Revenue from rental of property shows a falling off of \$1,075.30, or 4.73 per cent. This is accounted for by the fact that a number of buildings on lots leased by the company, which were destroyed by the fire of March, 1896, in Colon, have not been rebuilt, and in consequence, rental, although due, has not yet been collected; and, further, by a reduction made by the company in rentals on certain streets to enable the poorer class of tenants to pay.

It is hoped that revenue from landed properties will improve during the coming year as the effects of the fire gradually wear off.

EXPENDITURES.

RAILROAD.

There is a total decrease of \$42,406.56 in operating expenses, or 9.98 per cent, while the decrease in earnings was 8.39 per cent. The reduction in expenses bears upon all departments except on maintenance of way and structures.

STEAMSHIP LINES.

As already stated, the company's Pacific line was in operation in January, 1896, only, as against the whole year in 1895. The important reduction of its expenses in 1896 over 1895 is thereby accounted for.

Although the receipts of the Atlantic steamship line were 56.82 per cent in excess of the earnings of 1895, the expenses of that line show a decrease of 6.83 per cent.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

There is a decrease of \$38,240.70, or 9.68 per cent, in these expenses.

MAINTENANCE OF WAY AND STRUCTURES.

The roadway, buildings, and structures have been maintained in good condition during the year; 6,356 lignum-vitæ cross-ties were placed in the roadbed, and a portion of the line reballasted.

The passenger depot at Colon has been removed to a more central part of the town and opposite the Company's freight house. The new location is not only more satisfactory to passengers, but will permit the enforcement of substantial economies.

Improvements and extensive repairs have been made to the wharves and piers. At Panama all the wharves are in excellent condition; the roof of the American pier alone still requires attention; when this is completed the Panama wharves will need only inexpensive repairs to keep them in good condition for some years to come.

Important repairs were instituted at the close of the year upon Colon piers Nos. 1, 2, and 4.

A high-level water tank has been erected in Colon to increase the water supply for the mechanical department, to give better protection against fires, and to furnish good drinking water to the company's numerous dwelling houses. The expense of this water tank and of the piping requisite to carry the water from Monkey Hill Springs, has been charged to construction account.

RAILROAD AND FLOATING EQUIPMENT.

The whole of the company's plant, engines, tenders, cars, machinery, tools, steamships, tugs, and lighters have been maintained in good working order and repair.

Two new steel freight lighters of 340 tons capacity were added to the floating equipment and their cost carried to construction account.

The following statement shows the number and character of the company's rolling stock:

	Locomotives.		Passenger cars.				Freight cars.			Miscellaneous.								
	Road engines.	Switch engines.	Special.	First class.	Second class.	Baggage.	Box.	Coal.	Flat.	Local express.	Wrecking.	Caboose.	Specie.	Water.	Stock.	Road department.	Moveable steam crane.	Steam pile driver.
Stock on December 31, 1896	26	11	5	8	16	7	580	136	183	27	3	5	2	9	9	2	1	1
December 31, 1885	27	11	5	8	16	7	564	136	188	27	3	5	2	9	9	2	1	1
Increase during the year	.....	.....	.....	.....	.....	.....	16	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Decrease during the year	1	.....	.....	.....	.....	.....	.....	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....

The 16 new box cars were built with serviceable material taken from cars put out of service in past years. The expense of their reconstruction was charged to revenue.

The 5 missing flat cars were burned in the fire which destroyed a part of Colon on March 23, 1896. These cars will be rebuilt this year and the expense charged to revenue.

Engine No. 14, which was old and too weak, was dismantled, and its boiler used on the wharves at Panama. The value of this engine will be deducted from construction account.

The following statement shows the floating equipment of the company:

Name.	Gross tonnage.	Length.	Breadth.		Depth.	Hull.	Passenger accommodation.	
			Ft.	in.			Cabin.	Steerage.
Steamship Alliança	2,985	300	42	0	23 9	Iron	82	100
Steamship Advance	2,605	295	38	4	23 4	do	64	100
Steamship Finance.....	2,603	300	38	4	23 6	do	64	100
Tug Ancon	105	98	18	0	6 0	do	.....	.....
Tug Bolivar	234	127	23	0	9 6	do	.....	.....
Tug and water boat Balboa ...	79	100	14	0	7 6	do	.....	.....
4 freight lighters	340	110	24	2	7 2	Steel	.....	.....
14 freight lighters	230-300	110	24	0	6 6	Iron	.....	.....
6 coal lighters	215	100	24	0	6 0	do	.....	.....

Statistical statements will be found here appended concerning the freight and passenger traffic of the railroad and steamships, and also information as to the earnings and expenses.

ASSETS AND LIABILITIES.

Statement A herewith shows the financial condition of the company on December 31, 1896.

On December 31, 1895, the cost of the road and equipment amounted to \$10,077,375.01
 On December 31 last it amounted to 10,076,576.12

Decrease..... 798.89

The changes have been as follows:

Additions:

Construction of high-level water tank at Colon and pipes to connect Monkey Hill Springs with reservoir..... 3,192.90
 Construction of two steel lighters..... 24,393.35

27,586.25

Deduction:	
Cost of tug <i>Alma</i> , dismantled and written off.....	\$28,385.14
Decrease as above	798.89
On December 31, 1895, the value of the company's real estate was ..	263,616.74
On December 31, 1896, it amounted to	266,116.74
Increase	2,500.00
—caused by the purchase of land at Bohio.	

GENERAL REMARKS.

In the last annual report it was stated that "the finances of your company are in better condition than they have been for some years past, and your management is instituting rigid and thorough economies in every branch of the service, which will still more improve our position during the present year." These provisions have been largely realized, and this year the company's financial position is better than it has been for many years.

In 1896, \$374,737.59 were appropriated out of net earnings mainly to pay for the three steamers *Alliança*, *Finance*, and *Advance*.

In 1894 operating expenses were 69.93 per cent of gross earnings; in 1895, 61.63 per cent; in 1896, 53.94 per cent. In calculating percentages for 1895 and 1896, the earnings and expenses of the Panama Steamship Line were deducted from the totals; as this line was an emergency line, created for a given purpose, its expenses were at all times greater than its earnings, and that fact was clearly contemplated in advance, but the supremacy and independence gained thereby were the results sought for and attained. Had these figures not been deducted, the percentage for 1896 would have shown still more favorably.

During the year we have been free from serious accidents of any kind.

It is my agreeable duty to state that considering the depression of business in 1896, full credit should be given all the officers and employees whose continued good will and earnest cooperation have so largely contributed to these satisfactory results, and I here take great pleasure in cordially acknowledging my appreciation of their hearty efforts.

Respectfully submitted.

G. WHALEY,
Vice-President and General Manager.

TABLE NO. 1.—Number of tons of freight moved on the railroad.

FROM ALL POINTS TO ALL POINTS.

	1896.	1895.	Increase.	Decrease.
Colon to Panama:	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
From New York to San Francisco.....	22,565	27,000	.....	16.43
From New York to Panama, South Pacific, Central America, and Mexico.....	28,852	24,308	18.69	.....
From Europe to Panama, South America, Central America, Mexico, and San Francisco.....	92,137	81,686	12.79	.....
From Colon to Panama (local):				
Commercial freight.....	27,783	16,993	63.49	.....
Company's freight.....	9,139	.....	100.00	.....
Total.....	180,476	149,987	20.33	.....
Panama to Colon:				
From San Francisco to New York.....	13,098	30,432	.....	56.96
From San Francisco to Europe.....	.....	2,062	.....	100.00
From South Pacific, Central America, Mexico, and Panama to New York.....	20,603	17,308	19.03	.....
From South Pacific, Central America, Mexico, and Panama to Europe.....	56,071	66,943	.....	16.25
From Panama to Colon (local):				
Commercial freight.....	3,436	4,331	.....	20.66
Company's freight.....	5,513	.....	100.00	.....
Total.....	98,721	121,076	.....	18.46
Total eastbound and westbound.....	279,197	271,063	3.00	.....

"In 1895 the company's freight was not included in the tonnage.

TABLE No. 1.—Number of tons of freight moved on the railroad—Continued.

COUNTRIES OF ORIGIN AND DESTINATION.

	1896.	1895.	Increase.	Decrease.
Colon to Panama:	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
For Panama	47,568	24,060	97.70	.....
For Central America.....	65,551	62,083	5.59	.....
For South Pacific	39,387	29,383	34.04	.....
For San Francisco	24,411	30,213	.....	19.21
For Mexico	3,559	4,248	.....	16.25
Total.....	180,476	149,987	20.33	.....
Panama to Colon:				
From Panama	22,688	6,933	227.25	.....
From Central America.....	39,779	55,445	.....	28.25
From South Pacific	21,173	24,742	.....	14.42
From San Francisco	13,103	32,494	.....	59.67
From Mexico	1,978	1,462	35.29	.....
Total.....	98,721	121,076	.....	18.46
Total eastbound and westbound.....	279,197	271,063	3.00	.....

TABLE A.—Balance sheet, December 31, 1896.

RESOURCES.

Cost of road and equipment		\$10,076,576.12
Steamers <i>Alliança, Finance, and Advance</i>		336,655.50
Real estate at Isthmus.....		266,116.74
Sinking fund		1,631,988.12
Bonds in the Treasury—		
General mortgage 7 per cent sterling bonds (unissued).....	\$471,000.00	
General mortgage 7 per cent sterling bonds (purchased).....	150,574.29	
		621,574.29
On deposit with financial agent for redemption of subsidy bonds.....		16,000.00
Advance of subsidy to Republic of Colombia ^a		1,846,000.00
Current assets—		
Cash in banks, New York.....	132,385.59	
Cash in banks, London	35,602.19	
Cash on hand, Isthmus Agency	17,737.49	
Cash in hands of agents	2,722.36	
Coal and supplies on hand	92,847.68	
Uncollected earnings.....	67,588.39	
Due from connecting companies.....	83,119.20	
Due from United States Government.....	18,982.87	
Due from companies and individuals	54,459.89	
Due from voluntary sinking fund	61.88	
Accrued interest on deposits.....	753.78	
Accrued interest on securities owned	1,395.73	
Unadjusted accounts	40,404.32	
		548,061.37
		<u>15,342,972.14</u>

LIABILITIES.

Capital stock		7,000,000.00
General mortgage 7 per cent sterling bonds ^b		4,000,000.00
Subsidy 6 per cent bonds ^a		1,846,000.00
Voluntary sinking fund for redemption of 7 per cent sterling bonds.....		1,631,988.12
Subsidy bonds drawn, not presented for payment		16,000.00
Accrued interest on bonds:		
Fund for redemption of subsidy bonds.....	\$66,495.00	
Interest on subsidy bonds	18,460.00	
Interest on general mortgage bonds.....	53,248.68	
Department of Panama	21,875.00	
Republic of Colombia	1,666.67	
		161,745.35

^a1,846 6 per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$1,846,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company: First to the payment of the interest, and, second, as a cumulative sinking fund for the redemption of the principal, the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1, after each drawing, and thereby redeeming the whole issue in 1908.

^bOriginal issue 5,000, of which 1,000 were subsequently taken up and canceled. Leaving 4,000 7 per cent sterling bonds of £200 each, amounting to £800,000 (say \$4,000,000), of which 2,989 were issued

Current liabilities:	
Isthmus drafts not presented	\$19,048.70
Coupons not presented	1,659.60
Due connecting companies.....	34,467.14
Audited vouchers	23,944.79
Unclaimed dividends	307.00
Due deceased or missing employees.....	1,271.66
Miscellaneous accounts unadjusted.....	19,073.99
	\$99,772.88
Balance to credit of profit and loss	587,465.79
	15,342,972.14

S. DEMING, *Treasurer.*

[Extracts from the forty-eighth annual report of the Panama Railroad Company.]

NEW YORK, *March 24, 1898.*

To the Stockholders of the Panama Railroad Company:

GENTLEMEN: I respectfully submit for your consideration the report of the vice-president and general manager, with accompanying statements of earnings and expenditures, for the calendar year 1897, and the treasurer's balance sheet and transcript of profit and loss account.

In addition to the complete recital of the company's business in 1897, furnished by attached reports, I need only refer:

First. To the satisfactory manner in which the company's 7 per cent £1,000,000 (\$5,000,000) loan, due October 10, 1897, was redeemed at maturity; and

Second. To the progress made during the year in the construction of the projected port and pier at La Boca under a contract which was executed with the Panama Canal Company, dated February 12, 1897.

Under authority of the resolutions adopted at your annual meeting of April 5, 1897, the company has since created a new first mortgage of \$4,000,000, and has issued its twenty-year 4½ per cent first mortgage sinking fund gold bonds, limited in the aggregate to \$4,000,000, and of which amount \$2,000,000 were disposed of in New York upon advantageous terms; with the proceeds, together with the amount realized from the disposition of assets which had been accumulated for the purpose in the company's funds, the £1,000,000 7 per cent sterling loan, which matured October 10, 1897, was liquidated.

As the result of these transactions the company's outstanding mortgage liability is reduced to \$2,000,000.

In accordance with the contract with the Panama Canal Company, the construction of a new port and pier at La Boca has been rapidly progressed until the estimated cost of construction, covered by the original contract, viz, 5,000,000 francs, or about \$962,000, had been entirely expended.

October 10, 1867, and fall due October 10, 1897. The remaining 1,011 were issued on the 10th of October, 1892, and fall due on the 10th of October, 1897; but, by resolution of the board of directors, the holders of these 1,011 bonds were given the option of extension for ten years at 5 per cent per annum, to the 10th day of October, 1907, the company reserving to itself the right of redemption at 105 and accrued interest of such extended bonds at any date subsequent to the 10th day of October, 1902. All of this latter issue, however, is in the company's treasury and voluntary sinking fund.

To meet this bonded indebtedness of £800,000 the company has the following:

Voluntary sinking fund—	
693 Panama 7 per cent general mortgage sterling bonds.....	\$693,000.00
312 Panama 6 per cent subsidy bonds.....	312,000.00
177 United States 4 per cent registered bonds 1925, market value, December 31.....	212,400.00
257 United States 4 per cent registered bonds 1907, market value, December 31.....	282,700.00
50 Oregon improvement first mortgage bonds, market value, Decem- ber 31.....	45,000.00
120 Northern Pacific 5 per cent consolidated mortgage bonds, market value, December 31.....	65,700.00
50 Northern Pacific and Montana first mortgage bonds, market value, December 31.....	21,250.00
	1,632,050.00
Due Treasury	61.88
	1,631,988.12
In Treasury—	
471 Panama 7 per cent general mortgage bonds (unissued)	471,000.00
148 Panama 7 per cent general mortgage bonds (purchased).....	150,574.29
	621,574.29
Total	2,253,562.41

For that sum the pier itself, with its approaches, has been practically completed, and the dredging of the adjoining basin is about half finished.

It is now estimated that the additional necessary expense, incident to the completion of dredging and to the facilities required to adapt the pier to the company's wants, will amount to about \$427,000.

The board of directors has decided to push the work to completion, and it is anticipated that this will be accomplished before July of this year.

The projected establishment of grain elevators and warehouses on the Isthmus has been temporarily postponed on account of the low rates prevailing in grain traffic via Cape Horn.

From the accompanying report it appears that the net earnings for the year represent nearly 6 per cent on the \$7,000,000 of stock after payment of everything due, but it has been deemed prudent by your directors, on account of approaching liabilities in connection with the La Boca terminal, that this sum should not be distributed in dividends to stockholders.

The existing contract with the Pacific Mail Steamship Company (unless that company avails of its option to extend it for a further period of two years) will expire by limitation on December 16, next, and the company will be prepared to deal with this subject if that contract be not so extended.

It is gratifying to contemplate that your company has continued during the year its heretofore successful course.

I refer you to the accompanying reports for further particulars.

Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 1, 1898.

To the President of the Panama Railroad Company:

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1897, and of the condition of the company's property and finances at the close of the year.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1897.	1896.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$637,768.25	\$704,992.89	.....	\$67,224.64
Treasure	5,618.25	3,803.11	\$1,815.14	.....
Mails.....	40,808.40	36,638.52	4,169.88	.....
Extra baggage.....	8,216.96	10,540.11	.....	2,323.15
Passengers.....	43,950.42	50,287.72	.....	6,337.30
	736,362.28	806,262.35	.....	69,900.07
Panama to Colon—				
Freight	435,633.89	322,356.74	113,277.15	.....
Treasure	16,612.18	17,209.91	.....	597.73
Mails.....	5,014.30	5,057.41	.....	43.11
Extra baggage.....	6,028.95	6,236.79	.....	207.84
Passengers.....	42,291.04	44,451.10	.....	2,160.06
	505,580.36	395,311.95	110,268.41	.....
Total earnings of railroad.....	1,241,942.64	1,201,574.30	40,368.34	.....
Steamship lines:				
Panama Railroad Steamship Line—				
Freight	484,160.31	468,878.60	15,281.71	.....
Treasure	9,274.24	11,261.36	.....	1,987.12
Mails.....	56,405.69	55,862.66	543.03	.....
Extra baggage.....	2,049.19	2,758.22	.....	709.03
Passengers.....	111,781.06	140,673.14	.....	28,892.08
Miscellaneous.....	6,816.50	11,770.80	.....	4,954.30
	670,486.99	691,204.78	.....	20,717.79
Temporary Pacific Line—				
From freight.....	.....	31,000.05	.....	31,000.05
Total earnings of steamship lines.....	670,486.99	722,204.83	.....	51,717.84

Statement of earnings and expenditures—Continued.

	1897.	1896.	Increase.	Decrease.
EARNINGS—continued.				
Steamship lines—Continued.				
Joint railroad and steamship receipts—				
Interest and exchange.....	\$44,263.48	\$9,853.87	\$34,409.61	.....
Lighterage.....	217,604.18	210,232.01	7,372.17	.....
Water supplied shipping.....	56,886.14	60,469.69	.....	\$3,583.55
Rental of property.....	17,094.04	21,666.76	.....	4,572.72
Wharfage, storage, and light dues.....	47,225.56	37,225.71	9,999.85	.....
Telegraph.....	3,153.25	4,436.70	.....	1,283.45
Miscellaneous.....	2,048.97	3,477.64	.....	1,428.67
	388,275.62	347,362.38	40,913.24	.....
Total earnings.....	2,300,705.25	2,271,141.51	29,563.74	.....
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus.....	39,784.46	40,497.65	.....	713.19
Conducting transportation.....	246,686.30	228,335.10	18,351.20	.....
Maintenance of equipment.....	67,406.99	53,965.22	13,441.77	.....
Maintenance of way and structures.....	121,531.19	59,600.21	61,930.98	.....
	475,408.94	382,398.18	93,010.76	.....
Operating expenses of steamship line:				
Panama Railroad steamship line—				
Steamer expenses.....	370,097.33	351,216.74	18,880.59	.....
Replacement of boilers and special repairs.....	57,000.00	2,199.96	54,800.04	.....
Depreciation of steamers.....	41,100.00	.....	41,100.00	.....
Agency expenses.....	101,622.62	102,253.42	.....	630.80
Charter of steamers.....	13,316.67	13,500.00	.....	183.33
	583,136.62	469,170.12	113,966.50	.....
Temporary Pacific line—				
Steamer expenses.....	.....	24,440.07	.....	24,440.07
Agency expenses.....	.....	3,055.67	.....	3,055.67
	.....	27,495.74	.....	27,495.74
Total for steamship lines.....	583,136.62	496,665.86	86,470.76	.....
Joint railroad and steamship expenses—				
General expenses.....	94,491.64	102,578.68	.....	8,087.04
Foreign agency expenses.....	8,405.56	15,307.49	.....	6,901.93
Losses on cargo.....	23,806.77	6,553.63	17,253.14	.....
Drawback on Colombian produce.....	19,102.12	13,643.78	5,458.34	.....
Republic of Colombia, for nonextension of road.....	10,000.00	10,000.00	.....	.....
Lighterage.....	105,804.28	116,863.18	.....	11,058.90
Replacement of boilers and special repairs to tugs.....	3,000.00	.....	3,000.00	.....
Depreciation of tugs.....	2,100.00	.....	2,100.00	.....
Docks and wharves.....	34,981.75	45,849.50	.....	10,867.75
Real estate and repairs to Colon buildings.....	15,123.03	12,602.53	2,520.50	.....
Taboga waterworks.....	30,872.37	33,375.05	.....	2,502.68
	347,687.52	356,773.84	.....	9,086.32
Total expenditures.....	1,406,233.08	1,235,837.88	170,395.20	.....
Earnings over operating expenses.....	894,472.17	1,035,303.63	.....	140,831.46
Deduct fixed charges—				
Subsidy to Republic of Colombia.....	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds.....	113,240.00	107,820.00	5,420.00	.....
Interest on subsidy bonds.....	111,760.00	117,180.00	.....	5,420.00
Interest on sterling bonds to Oct. 10, 1897.....	186,370.42	239,619.10	.....	53,248.68
Interest on first mortgage bonds, October 1, to December 31, 1897.....	22,500.00	.....	22,500.00	.....
Redemption of first mortgage bonds.....	25,728.38	.....	25,728.38	.....
	484,598.80	489,619.10	.....	5,020.30
Net income.....	409,873.37	545,684.53	.....	135,811.16

Gross revenue receipts, expenditures, and net earnings for 1897 compare, as under, with those for 1896:

	Receipts.	Expenses.	Net earnings.
1897.....	\$2,300,705.25	\$1,406,233.08	\$894,472.17
1896.....	2,271,141.51	1,235,837.88	1,035,303.63
Increase (+) or decrease (-) in 1897.....	+29,563.74	+170,395.20	-140,831.46

EARNINGS.

RAILROAD.

The total increase in earnings in 1897 over 1896 amounts to \$40,368.34, or 3.36 per cent, and results entirely from east-bound freight and west-bound treasure and mails.

There are large decreases on all other classes of earnings, due to the prejudicial effect upon traffic of a serious epidemic of yellow fever which extended throughout several of the Republics of Central and South America during the greater portion of the year; to revolutionary uprisings in Central America, with consequent general breakdown of credit and business depression; and to the depreciation of silver, affecting the currency of those Republics.

From the statement of earnings it will be seen that there has been a decrease of 8.67 per cent in earnings on west-bound business, an increase of 27.89 per cent on east-bound, and an increase of 3.36 per cent on the total earnings of the railroad.

The following table shows the freight tonnage carried over the railroad in 1897 as compared with 1896:

[Per ton of 2,000 pounds, or 40 cubic feet.]

	Year ending Dec. 31, 1897.	Year ending Dec. 31, 1896.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Tons west bound	173,345	180,476	.....	3.95
Tons east bound	117,306	98,721	18.82	.....
Total.....	290,651	279,197	4.10	.....

The gross earnings per ton moved on the road compare as follows:

	Year ending Dec. 31, 1897.	Year ending Dec. 31, 1896.	Increase.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>
West bound.....	\$3.68	\$3.91	.....	5.88
East bound	3.71	3.26	13.80	.....
Average.....	3.69	3.68	.27	.....

The decrease in west-bound tonnage occurred entirely on traffic from Europe and New York to Central America during the last seven months of the year, and was caused by the general depression before referred to.

A reduction in west-bound rates was made necessary to meet active competition by the Magellan route, more especially on freight shipped from New York.

Table No. 1, attached to this report, shows origin and destination of the freight carried over the railroad, and Table No. 6 gives the classification of freight from the Pacific coast destined to all points.

Compared with 1896, the total tonnage carried over the road in 1897 shows an increase of 11,454 tons, or 4.10 per cent, and the earnings an increase of \$46,052.51, or 4.48 per cent.

Of the total tonnage carried, 59.64 per cent was west-bound and 40.36 per cent east-bound. In 1896 these proportions were 64.64 and 35.36 per cent, respectively.

Through freight amounted to 82.93 per cent of the total number of tons carried, against 83.57 per cent in 1896.

In 1897 there was an increase of earnings of \$1,217.41, or 5.79 per cent, on treasure; of \$4,126.77, or 9.90 per cent, on mails; and a decrease of \$2,530.99, or 15.09 per cent, on excess baggage. This decrease was due to the large falling off in the passenger business.

The following statements show the number of passengers carried and the passenger earnings:

Classification.	Passengers carried.				Passenger earnings.		
	1897.	1896.	Increase.	Decrease.	1897.	1896.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>			<i>Per cent.</i>
First class	5,111	6,293	.....	18.78	\$27,030.60	\$35,360.15	23.55
Second class.....	104,813	97,464	7.54	.....	59,210.86	59,378.67	.28
Total	109,924	103,757	5.94	.....	86,241.46	94,738.82	8.97

Average receipt per passenger.

Classification.	1897.	1896.	Increase.
			<i>Per cent.</i>
First class:			
Through	\$8.91	\$8.73	2.06
Local	2.87	2.69	6.69
Second class:			
Through	4.47	4.18	6.94
Local .....	.52	.52	.....

The number of first-class passengers carried shows a decrease of 1,182, or 18.78 per cent, and \$8,339.85, or 23.55 per cent, in revenue. These figures indicate the effects upon the through passenger traffic of the epidemic already referred to. There was an increase of 7,349, or 7.54 per cent, in the number of second-class passengers carried. This increase is entirely on local traffic.

STEAMSHIP LINE.

The gross earnings of the Atlantic Steamship Line show a decrease of \$20,717.79, or 3 per cent, due to the causes already referred to. The most important loss is in the passenger business, the receipts of which fell from \$140,673.14 in 1896 to \$111,781.06 in 1897. There was in 1897 an increase of \$15,281.71 in freight earnings. Table No. 9 will give full explanations regarding the divers earnings of the line.

Thirty-six round trips were made during the year.

Under the contract with the Pacific Mail Steamship Company, the Pacific Line of the Panama Railroad Company was discontinued in 1896, which explains the absence of earnings and expenses for that line in 1897.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

There is an increase of \$40,913.24, or 11.78 per cent, on this class of receipts, which arises entirely from interest and exchange, lighterage, wharfage, storage, and light dues. There is a decrease of \$4,572.72 on rental of property, due to the depression of business on the Isthmus during the greater part of last year. Table No. 14 gives the details of interest and exchange account.

The following table will show the number of tons lightered during the years 1897 and 1896:

	1897.	1896.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise	173,212	162,661	6.49	.....
Lumber	66	319	.....	79.31
Coal	2,731	5,815	.....	53.04
Total	176,009	168,795	4.27	.....

EXPENDITURES.

The revenue expenditures of 1897 and 1896 compare as under:

	1897.	1896.	Increase.	Decrease.
Railroad	\$475,408.94	\$382,398.18	\$93,010.76	.....
Steamship lines.....	583,136.62	496,665.86	86,470.76	.....
Joint railroad and steamship expenses.....	347,687.52	356,773.84	.....	\$9,086.32
Total.....	1,406,233.08	1,235,837.88	170,395.20	.....

This table shows there is an increase of \$170,395.20 in total revenue expenditures against an increase of only \$29,563.74 in earnings.

In order to correctly judge these results, which are in some respects apparently unfavorable, it is necessary to take into consideration, not only the disturbing elements already alluded to, but also that during last summer unusually heavy rains and freshets caused great damage to the roadbed; that very important improvements have been made to the railroad and buildings; that the steamships, upon which little had been spent since they became the company's property, have been thoroughly overhauled in Messrs. Cramp & Co.'s shipyards; and that during 1897 reserve fund accounts were opened for depreciation of steamers and tugs as well as for replacement of boilers and special repairs to steamers and tugs.

RAILROAD.

CONDUCTING TRANSPORTATION.

This account shows the following increases:

On fuel for locomotives, on account of increased mileage.....	\$9,960.03
On salaries and wages, due in part to increased traffic, and in part to abnormal expenditures caused by the yellow fever epidemic.....	9,638.23
	<u>19,598.26</u>
On other items there are slight decreases of expenditures, amounting to.....	1,247.06
Leaving a net increase in conducting transportation of.....	18,351.20

MAINTENANCE OF EQUIPMENT.

The increase of expenses in this department, which amounts to \$13,441.77, is due in part to betterments, consisting of applying steel-tired wheels and new axles to locomotive trucks, to rebuilding of cars, etc., and also to extra labor expenses while many employees and workmen were on sick list during the yellow fever epidemic.

Nine locomotives and 197 passenger and freight cars were thoroughly repaired during the year, and 5 freight cars were completely rebuilt.

MAINTENANCE OF WAY AND STRUCTURES.

There is a very important increase of \$61,930.98 in this department. During the past year very heavy rains, followed by floods of corresponding severity, destroyed banks and caused slides in many places, which greatly increased the cost of operation, and entailed the expense of repairing the special damage to the track, structures, and the heavy wear and tear of equipment, which are incident to such an experience. It was necessary to rebuild the embankments at Paraiso, Matachin, Bas Obispo, and Cucaracha. The abutments and foundations of 4 bridges were badly damaged; the masonry of 2 was rebuilt, and temporary repairs were made to two others, the high water of the river preventing anything further being done until the dry season.

The complete reballasting of the road and the renewal of cross-ties had for divers reasons, been postponed for several years back. It was thought advisable to undertake this work in 1897. During the year the condition of the track and structures has been materially improved. Every bridge, from Colon to Panama has been overhauled, including the repairing of piers and abutments, renewal of floors and painting. Grades have been revised, undulations and sags corrected, banks widened and their drainage improved by establishing permanent waterways through them. In

1897 12 miles of track have been thoroughly ballasted; 16,987 cross-ties and 166,082 feet of switch timber have been placed in the track. In connection with these ties and switch timber there have been placed in the track 22,000 Servis tie plates, which have materially bettered the gauge and prevented the cutting of rails into the ties. Low joints and the breaking of weak fish plates were a constant trouble. To overcome these difficulties, 9½ miles of track, where sharp curves or lighter rails exist, have been relaid with new angle plates. During the year the new passenger station at Colon was finished; a complete rock-crushing plant was also installed at Pedro Miguel, which will overcome the necessity hitherto experienced of taking the ballast required for the whole year from the river during the dry season. The expenses incurred for this work have been carried to revenue account.

The increase in the expenses for maintenance of way and structures divides as follows:

Extraordinary and special repairs.....	\$11,487.31
Betterments	50,443.67
Total.....	61,930.98

STEAMSHIP LINE.

The increases of expenditure in this department are as follows:

Operating expenses.....	\$18,880.59
Replacement of boilers and special repairs to steamers.....	54,800.04
Depreciation of steamers.....	41,100.00

The operating expenses increased mainly from general repairs on the steamships *Alliança*, *Advance*, and *Finance*; labor on account of the handling of increased tonnage; and expenses, during the prevalence of yellow fever, incidental to the requirements of the quarantine regulations of the port of New York.

Extensive improvements were made during the year on all the steamships. In the three ships increase of passenger accommodation was provided, and complete electric-light plants and electric-call systems were installed. The *Alliança* was also provided with new boilers, masts, and pumps, while on the *Finance* and *Advance* parts of the main shafting were renewed; besides which the entire engines, boilers, hulls of the three ships were completely overhauled and placed in first-class working condition.

It is customary in all well-managed steamship corporations to provide and set aside, out of earnings, special funds to cover the depreciation of ships and the cost of replacement of boilers and extraordinary repairs. The company's financial condition warranting the taking of this prudent and conservative measure, without placing any undue charge upon net earnings, the board of directors decided that on and after January 1, 1897, a "fund for depreciation of steamers and tugs" and a "fund for replacement of boilers and special repairs to steamers and tugs" be opened on the company's books. It was further decided that an annual appropriation of \$43,200 should be made to the first, and \$60,000 to the second, of these funds.

The increase of expense in 1897 due to the establishment of the reserve funds is thus explained.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

Although there is a decrease of \$9,086.32 in the total of this class of expenses, one item "Losses on cargo," shows an increase of \$17,253.14. This increase is chiefly due to the fact that, by reason of a reorganization in our auditing department, freight claims were much more quickly settled in 1897 than they previously had been, consequently, by far the larger portion of claims settled in 1897 were upon cargo carried during previous years.

This matter of loss and damage is, however, a serious one, to which careful attention is being constantly given. The employment of policemen as night watchmen in Panama freight yards has resulted in a decided improvement by reducing the number of robberies, and the extension of that system is contemplated.

The explanations given regarding the causes of increase of certain items of the company's expenses show that by far the greater portion of this increased expenditure represents permanent improvements, not ordinary operating expenses, and that at the end of 1897 the condition of the company's property was greatly improved.

CAPITAL ACCOUNT.

The \$4,000,000 outstanding 7 per cent sterling mortgage bonds of the company, the original of which issue amounted to £1,000,000 (\$5,000,000), matured on October 10, 1897, and were redeemed in due course.

Two million dollars of the new $4\frac{1}{2}$ per cent first-mortgage sinking-fund gold bonds were issued on the 15th day of September last.

The following table shows the changes in capital account for the year:

	Capital stock.	General mortgage 7 per cent sterling bonds.	$4\frac{1}{2}$ per cent first-mortgage gold bonds.
Outstanding December 31, 1896.....	\$7,000,000	\$1,000,000	.....
$4\frac{1}{2}$ per cent first-mortgage gold bonds issued October 1, 1897.....			\$2,000,000
Total	7,000,000	4,000,000	2,000,000
Retired during the year.....		1,000,000	.....
Outstanding December 31, 1897.....	7,000,000	.....	2,000,000
Increase (+) or decrease (-)		-1,000,000	+2,000,000

The details of receipts and expenditures on capital account are shown in the following table:

CREDIT.		DEBIT.	
Depreciation of steamers and tugs....	\$43,200.00	Installation of electric plant, new state-rooms and other additions on steamers	\$33,513.77
Value of locomotive No. 14, dismantled	5,691.05	New terminal at La Boca.....	36,138.18
Balance, charges in excess of credits..	21,032.81	Waterworks	271.91
	<u>69,923.86</u>		<u>69,923.86</u>

One hundred and fourteen of the outstanding 1846 6 per cent sinking-fund subsidy bonds were drawn and redeemed in September.

During the past year great progress has been made in the construction of the pier and in the excavation of the deep-water port at La Boca. At the close of the year the pier was practically completed and the dredging of the basin was about one-half done.

The work is now sufficiently advanced to make it possible to estimate with some precision the total cost, which will amount to \$1,427,000, including \$80,000 for a freight yard, for a branch line between La Boca and the main line at Bomba, for an electric plant, for office buildings, and for the buoying of the basin.

The Panama Canal Company, which undertook the most important part of the work, has agreed to accept this company's $4\frac{1}{2}$ per cent first-mortgage bonds to an amount of \$962,000 as security for advances made by it under said contract.

The company will provide cash payments for the balance of \$465,000 to be expended, and cover such outlays by the certification and issue of the necessary number of new $4\frac{1}{2}$ per cent bonds, to be placed in the treasury of the company.

The board accordingly further resolved that the best interests of the company would be more adequately served by keeping in reserve the liquid assets now in the treasury of the company than by the distribution at this time of any dividend to the company's stockholders.

ASSETS AND LIABILITIES.

Statements A and B show the financial condition of the company on December 31, 1897.

The balance to the credit of profit and loss account of \$2,713,920.70 is represented by assets and expenditures, as follows:

Capital assets:

Cost of road, real estate, and equipment.....	\$9,889,394.19
Steamers <i>Alliança</i> , <i>Advance</i> , and <i>Finance</i>	329,069.27
Tugs and lighters.....	445,779.53
New terminal at La Boca	36,138.18
	<u>10,700,381.17</u>

Capital liabilities:

Capital stock.....	\$7,000,000.00	
4½ per cent twenty-year sinking- fund gold bonds.....	2,000,000.00	
		\$9,000,000.00

Capital assets over liabilities \$1,700,381.17

Other assets and expenditures:

294 6 per cent Panama Railroad Company's sub- sidy bonds.....	294,000.00	
Expenditures for replacement of boilers and special repairs to floating equipment, not yet charged to earnings.....	93,989.12	
		387,989.12

Sundry accounts receivable and coal and supplies on hand.....	298,828.22	
Less sundry liabilities.....	264,636.07	

Balance.....		34,192.15
Cash on hand and with banks.....		591,358.26

Total..... 2,713,920.70

GENERAL REMARKS.

During the period from 1894 to 1897, inclusive, the percentage of operating expenses to gross earnings was as follows:

	Per cent.
1894.....	69.93
1895.....	61.63
1896.....	53.94
1897.....	61.12

As already stated, the causes of the increase in operating expenses were:

First. The appropriation of large sums for depreciation of the company's floating equipment.

Second. Improvements and betterments to the permanent way and structures of such a character as to have made it possible to carry part of the cost thereof to capital account.

Third. Increases in working expenses due to the prevalence of yellow fever during a part of the year.

The two first items of increase in expenses were made possible by the company's very satisfactory financial condition.

The traffic affairs during the year call for no further special mention than is contained in the statistical statements to be found appended hereto concerning freight and passenger business of the railroad and steamships, with information as to the earnings and expenses, also statements regarding the railroad and floating equipments.

During the year the company has been free from serious accidents of any kind, either on the railroad or the steamships.

I desire to renew my thanks to the officers and employees of the company for their faithful and efficient services during the past year.

Respectfully,

G. WHALEY,
Vice-President and General Manager.

TABLE A.—Balance sheet, December 31, 1897.

RESOURCES.	
Cost of road, real estate, and equipment.....	\$9,889,394.19
Floating equipment:	
Steamers <i>Alliança, Finance, and Advance</i> , value December 31, 1896.....	\$336,655.50
Installation of electric plants, providing new staterooms and other additions on all steamers.....	33,513.77
	370,169.27
Depreciation fund	41,100.00
	\$329,069.27
Tugs and lighters, value December 31, 1896.....	447,879.53
Depreciation fund for tugs.....	2,100.00
	445,779.53
New terminal at La Boca ^a	774,848.80
	36,138.18
Total.....	10,700,381.17
Bonds in Treasury: 294 6 per cent Panama Railroad Company sinking-fund subsidy bonds	294,000.00
On deposit with financial agents for redemption of bonds:	
6 per cent subsidy bonds.....	\$44,000.00
General mortgage 7 per cent bonds and final coupon.....	5,032.66
	49,032.66
Advance of subsidy to Republic of Colombia.....	1,732,000.00
Fund for replacement of boilers and special repairs to steamers and tugs.....	93,989.12
Current assets:	
Cash in banks and with agents.....	\$591,358.26
Coal and supplies on hand.....	119,824.91
Uncollected earnings	50,986.77
Due from connecting companies.....	23,163.92
Due from United States Government	19,678.40
Due from companies and individuals.....	58,285.91
Accrued interest on deposits.....	746.64
Accrued interest on securities owned.....	2,940.00
Unadjusted accounts	23,201.67
	890,186.48
	13,759,589.43
LIABILITIES.	
Capital stock.....	\$7,000,000.00
4½ per cent twenty-year sinking fund gold bonds (authorized issue, \$4,000,000).....	2,000,000.00
	9,000,000.00
6 per cent gold sinking fund subsidy bonds ^b	1,732,000.00
6 per cent gold sinking fund subsidy bonds drawn, not presented for payment:	
Drawn in 1896.....	\$1,000.00
Drawn in 1897.....	44,000.00
	45,000.00
General mortgage 7 per cent sterling bonds, not presented for payment (5 bonds).....	4,862.88
Accrued interest on bonds:	
4½ per cent first mortgage bonds.....	22,500.00
6 per cent subsidy bonds.....	17,320.00
	39,820.00
Funds for redemption of bonds:	
4½ per cent first mortgage bonds.....	62,500.00
6 per cent subsidy bonds.....	67,875.00
	130,375.00
Due Republic of Colombia:	
Department of Panama.....	21,875.00
Government of Colombia.....	1,666.67
	23,541.67
Current liabilities:	
Isthmus drafts not presented.....	22,610.29
Coupons not presented.....	9,103.45
Audited vouchers.....	36,767.44
Unclaimed dividends.....	307.00
Due deceased or missing employees.....	1,281.00
	70,069.18
Balance to credit of profit and loss	2,713,920.70
	13,759,589.43

^a During 1897 indebtedness to the extent of \$962,000 has been incurred on account of the construction of the La Boca terminal. This sum, which will become due in 1902, is to be secured by an equivalent amount of the company's new 4½ per cent bonds as collateral, and its total may be reduced in the meantime at the option of the company by payments on account.

^b 1,732 6 per cent gold sinking-fund subsidy bonds of \$1,000 each, amounting to \$1,732,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company: First, to the payment of the interest, and, second, as a cumulative sinking fund for the redemption of the principal: the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1, after each drawing, and thereby redeeming the whole issue in 1908.

S. DEMING, *Treasurer.*

TABLE B.—*Profit and loss account, December 31, 1897.*

DEBIT.	
To operating expenses.....	\$1,406,233.08
Fixed charges	484,598.80
Cash balance of voluntary sinking fund for redemption of general mortgage 7 per cent sterling bonds transferred to the sinking fund for redemption of the 4½ per cent twenty-year sinking-fund gold bonds	36,771.62
Discount and expenses for issue of 2,000 4½ per cent twenty-year sinking-fund gold bonds	23,535.73
Value of locomotive No. 14, dismantled	5,691.05
Uncollectible accounts, charged off	89.19
Balance assets over liabilities, December 31, 1897.....	2,713,920.70
	4,670,840.17
CREDIT.	
By balance, December 31, 1896.....	\$587,465.79
Gross earnings.....	2,300,705.25
Income from other sources:	
Earnings of machine shops.....	20,009.07
Profit on coal and material.....	15,257.90
Sale of old hulk <i>Alma</i>	542.20
Balance to credit of voluntary sinking fund, October 10, 1897, transferred to profit and loss account.....	1,746,859.96
	4,670,840.17

[Extracts from the forty-ninth annual report of the Panama Railroad Company.]

NEW YORK, *March 23, 1899.*

To the Stockholders of the Panama Railroad Company:

GENTLEMEN: I respectfully submit for your consideration the report of the assistant general manager with accompanying statements of earnings and expenditures for the calendar year 1898, and the treasurer's balance sheet and transcript of profit and loss account.

In addition to the complete recital of the company's business in 1898, furnished by attached reports, it appears necessary for me to state only that:

The redemption of the company's 7 per cent sterling bonds was entirely completed and the mortgage upon which it was effected canceled of record: and

By the operation of the sinking-fund clause of the new 4½ per cent gold bond mortgage (authorized issue of \$4,000,000) the original issue of \$2,000,000 has been reduced by redemption and cancellation of 141 bonds to \$1,859,000, the present total of the company's outstanding mortgage liability.

A further issue of 962 of these bonds was authorized in order to provide as may be necessary for contract payments at maturity in 1902, or earlier, at the company's option, on account of indebtedness incurred in the construction of the La Boca terminal.

The 6 per cent subsidy bonds, due in 1910, have been reduced by redemption as provided by their sinking-fund clause from 1,732 to 1,611.

The Pacific Mail Steamship Company availed, in September last, of its option to extend the contract of December 16, 1895, for a further period of two years to December 16, 1900; and the contract of 1872 with that Company, which was an impediment to this company's development, has been abrogated and canceled.

A European department has been inaugurated and the company's agency in San Francisco reestablished.

The company's business was seriously affected by the war with Spain, which, during its continuance caused an almost total suspension of passenger traffic by our steamship line, together with a loss of coastwise traffic, both ways. Business with our foreign connections was relatively impaired. Despite these unfavorable conditions, your directors decided it best for the company to continue to operate its line between New York and Colon (the vessels of which are of American registry) and to meet the large outlay necessary for war risk insurance upon the steamers. This was accordingly done, with no more serious interruption than an occasional delayed sailing from either end, and the enviable record established thereby that ours was the sole company with vessels sailing under the American flag which maintained its regular service throughout the war between this country and a foreign port, on the Atlantic Ocean, the actual field of belligerent operation.

Revolutionary disturbances in South American republics and consequent loss of credit had a damaging effect during the year upon our foreign traffic, and the cost of operating our road was materially increased by an advance in wages to silver-pay employees at the Isthmus made to avert threatened labor troubles occasioned by a continued advance in rates of exchange.

Despite special adverse circumstances, the net earnings for the year, after payment of everything due, represent nearly 4 per cent upon the capital stock (\$7,000,000), but it is deemed prudent for the present by your directors that no distribution in dividends should be made to the stockholders.

I refer you to the accompanying reports for further particulars.
Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 15, 1899.

To the President of the Panama Railroad Company:

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1898, and of the condition of the company's property and finances at the close of the year.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1898.	1897.	Increase.	Deerease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$527,872.84	\$637,768.25	.....	\$109,895.41
Treasure	5,129.63	5,618.25	.....	488.62
Mails.....	39,667.14	40,808.40	.....	1,141.26
Extra baggage	7,926.61	8,216.96	.....	290.35
Passengers	41,811.54	43,950.42	.....	2,138.88
	622,407.76	736,362.28	.....	113,954.52
Panama to Colon—				
Freight	413,015.60	435,633.89	.....	22,618.29
Treasure	17,229.25	16,612.18	\$617.07	.....
Mails.....	5,275.11	5,014.30	260.81	.....
Extra baggage	7,039.22	6,028.95	1,010.27	.....
Passengers	41,493.43	42,291.04	.....	797.61
	484,052.61	505,580.36	.....	21,527.75
Total earnings of railroad	1,106,460.37	1,241,942.64	.....	135,482.27
Panama Railroad Steamship Line—				
Freight	478,731.82	484,160.31	.....	5,428.49
Treasure	10,037.97	9,274.24	763.73	.....
Mails.....	50,917.78	56,405.69	.....	5,487.91
Extra baggage	1,285.64	2,049.19	.....	763.55
Passengers	74,891.20	111,781.06	.....	36,889.87
Miscellaneous	4,319.53	6,816.50	.....	2,496.96
	620,183.94	670,486.99	.....	50,303.05
Joint railroad and steamship receipts—				
Interest and exchange.....	77,651.39	44,263.48	33,387.91	.....
Lighterage.....	181,978.01	217,604.18	.....	35,626.17
Water supplied shipping.....	15,406.42	56,886.14	.....	41,479.72
Rental of property.....	16,848.45	17,094.04	.....	245.59
Wharfage, storage, and light dues.....	40,180.15	47,225.56	.....	7,045.41
Telegraph.....	10,956.65	3,153.25	7,803.40	.....
Miscellaneous	1,558.67	2,048.97	.....	490.30
Earnings of machine shops	36,420.15	.....	36,420.15	.....
Profit on coal and material	35,236.97	.....	35,236.97	.....
	416,236.86	388,275.62	27,961.24	.....
Total earnings	2,142,881.17	2,300,705.25	.....	157,824.08
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus	41,036.49	39,784.46	1,252.03	.....
Conducting transportation	259,886.66	246,686.30	13,200.36	.....
Maintenance of equipment.....	69,919.09	67,406.99	2,512.10	.....
Maintenance of way and structures.....	129,595.18	121,531.19	8,063.99	.....
	500,437.42	475,408.94	25,028.48	.....

Statement of earnings and expenditures—Continued.

	1898.	1897.	Increase.	Decrease.
EXPENDITURES—continued.				
Panama Railroad Steamship Line:				
Steamer expenses.....	\$399,459.46	\$370,097.33	\$29,362.13	.....
Replacement of boilers and special repairs.....	57,000.00	57,000.00	.....	.....
Depreciation of steamers.....	41,100.00	41,100.00	.....	.....
Agency expenses.....	101,613.52	101,622.62	.....	\$9.10
Charter of steamers.....	.....	13,316.67	.....	13,316.67
	599,172.98	583,136.62	16,036.36	.....
Joint railroad and steamship expenses:				
General expenses.....	97,864.15	94,491.64	3,372.51	.....
Foreign agency expenses.....	6,086.57	8,405.56	.....	2,318.99
Losses on cargo.....	5,589.24	23,806.77	.....	18,217.53
Drawback on Colombian produce.....	19,523.07	19,102.12	420.95	.....
Republic of Colombia for nonextension of road.....	10,000.00	10,000.00	.....	.....
Lighterage.....	97,790.52	105,804.28	.....	8,013.76
Replacement of boilers and special repairs to tugs.....	3,000.00	3,000.00	.....	.....
Depreciation of tugs.....	2,100.00	2,100.00	.....	.....
Docks and wharves.....	30,344.59	34,981.75	.....	4,637.16
Real estate and repairs to Colon buildings.....	16,446.71	15,123.03	1,323.68	.....
Taboga waterworks.....	2,537.94	30,872.37	.....	28,334.43
	291,282.79	347,687.52	.....	56,404.73
Total expenditures.....	1,390,893.19	1,406,233.08	.....	15,339.89
Earnings over operating expenses.....	751,987.98	894,472.17	.....	142,484.19
Deduct fixed charges:				
Subsidy to Republic of Colombia.....	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds.....	121,080.00	113,240.00	7,840.00	.....
Interest on subsidy bonds.....	103,920.00	111,760.00	.....	7,840.00
Interest on sterling bonds.....	.....	186,370.42	.....	186,370.42
Interest on first mortgage bonds.....	85,241.25	22,500.00	62,741.25	.....
Redemption of first mortgage bonds.....	150,000.00	25,728.38	124,271.62	.....
	485,241.25	484,598.80	642.45	.....
Net income.....	266,746.73	409,873.37	.....	143,126.64

Gross revenue receipts, expenditures and net earnings for 1898, compare, as under, with those of 1897:

	Earnings.	Expenses.	Net earnings.
1897.....	\$2,300,705.25	\$1,406,233.08	\$894,472.17
1898.....	2,142,881.17	1,390,893.19	751,987.98
Decrease in 1898.....	157,824.08	15,339.89	142,484.19
Increase in fixed charges 1898.....	.....	.....	642.45
Decrease in profit 1898.....	.....	.....	143,126.64

EARNINGS.

RAILROAD.

The total net decrease of earnings of the railroad proper in 1898 as compared with 1897 of \$135,482.27, or 10.91 per cent, results principally from east and west bound freight and passengers.

The large falling off was due to a continuance in 1898 of the disturbing trade conditions in Central and South America, which so seriously affected the company's traffic in 1897, as shown by the fact that decreases in cargo west bound over our road from all points to points on the Pacific coast aggregated nearly 30,000 tons, and east-bound cargo to all points from Pacific coast points shows a reduction of almost 13,000 tons. This combined loss was, however, offset by important increases to and from particular points, resulting as shown in Table No. 4.

The most important decrease was in cargo, to points in Central America, of 21,000 tons from Europe and 3,400 tons from New York.

All official reports, consular and commercial, received from that territory confirm relative decrease in imports, thus accounting for our loss of traffic as not caused by version to other routes.

The large decline in imports was owing to reduced production of raw products, due to revolutionary outbreaks, together with a fall in value of those products in foreign markets, added to a depreciation in silver (the money basis of the country), which resulted in disturbing credit and limiting purchase power.

Decreases to and from New York were almost entirely due to the Spanish-American war, as the vessels of our steamship lines are of American registry.

There was a decrease of 15.48 per cent in earnings on west-bound business, and of 4.26 per cent on east-bound business.

The following table shows the freight tonnage carried over the railroad in 1898 as compared with 1897:

[Per ton of 2,000 pounds, or 40 cubic feet.]

	Year ending December 31, 1898.	Year ending December 31, 1897.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
West bound.....	144,182	173,345	.....	16.82
East bound.....	123,974	117,306	5.68	.....
Total.....	268,156	290,651	.....	7.74

The gross earnings per ton moved on the road compare as follows:

	Year ending December 31, 1898.	Year ending December 31, 1897.	Decrease.
			<i>Per cent.</i>
West bound.....	\$3.66	\$3.68	0.54
East bound.....	3.33	3.71	10.24
Average.....	3.51	3.69	4.88

Decreases in west-bound tonnage occurred on traffic from Europe to Central America, Mexico, San Francisco, and South Pacific ports to and including Guayaquil, while there was an increase on freight destined to Panama and South Pacific ports other than above.

The total freight tonnage east-bound increased 6,668 tons, or 5.68 per cent, the principal increase being on traffic from South Pacific ports for both New York and Europe. The most important decreases were from Central America to Europe and New York, from Panama to Europe, and from San Francisco to New York, the last of 4,581 tons, or about 27 per cent, was the result more of inability to agree with our cocarrier upon effective rates to meet competition than to other trade conditions affecting our route, as shown by an increase New York to San Francisco of 3,198 tons, or about 12 per cent.

Table No. 4, attached to this report, shows origin and destination of the freight carried over the railroad, and Table No. 9 gives the classification of freight from the Pacific coast destined to all ports.

Compared with 1897, the total tonnage carried over the road in 1898 shows a decrease of 22,495 tons, or 7.74 per cent, and the earnings a decrease of \$132,513.70, or 12.35 per cent.

Of the total tonnage carried, 53.77 per cent was west bound and 46.23 per cent east bound. In 1897 these proportions were 59.64 per cent and 40.36 per cent, respectively.

Through freight amounted to 84.16 per cent of the total number of tons carried, against 82.93 per cent in 1897.

In 1898 there was an increase of \$128.45, or 0.58 per cent, on treasure; of \$719.92, or 5.05 per cent, on excess baggage, and a decrease of \$880.45, or 1.92 per cent, on mails.

The following statements show the number of passengers carried and the passenger earnings.

Classification.	Number of passengers carried.			
	1898.	1897.	Increase.	Decrease.
First class.....	4,868	5,111	<i>Per cent.</i>	<i>Per cent.</i>
Second class.....	112,936	104,813	7.75	4.75
Total.....	117,804	109,924	7.17	.....

Classification.	Passenger earnings.		
	1898.	1897.	Decrease.
First class.....	\$25,106.90	\$27,030.60	<i>Per cent.</i>
Second class.....	58,198.07	59,210.86	7.12
Total.....	83,304.97	86,241.46	1.71
			3.40

AVERAGE RECEIPT PER PASSENGER.

Classification.	1898.	1897.	Increase.	Decrease.
First class:			<i>Per cent.</i>	<i>Per cent.</i>
Through.....	\$8.89	\$8.91	.....	0.22
Local.....	2.91	2.87	1.39	.....
Second class:				
Through.....	4.59	4.47	2.68	.....
Local.....	.49	.52	.....	5.77

The number of first-class passengers carried shows a decrease of 243, or 4.75 per cent, and \$1,923.70, or 7.12 per cent, in revenue. This falling off was occasioned by the effects upon the through passenger business of the Spanish-American war. There was an increase of 8,123, or 7.75 per cent, in the number of second-class passengers carried, although there is a loss in revenue of \$1,012.79, or 1.71 per cent.

STEAMSHIP LINE.

The earnings of the steamship line show a decrease of \$50,303.05, or 7.5 per cent, as compared with those of 1897. The increases and decreases quarterly are as follows:

	Increase.	Decrease.
First quarter.....	\$14,364.02	.....
Second quarter.....	.....	\$55,396.50
Third quarter.....	.....	26,989.20
Fourth quarter.....	17,718.63	.....
Total.....	32,082.65	82,385.70

making net decrease in revenue of \$50,303.05 for the year, as mentioned above.

From this it will be seen that the decrease in earnings occurred during the period from April to September, while the Spanish-American war was in progress.

All classes of earnings except treasure show a decrease, the most important being for passengers, which amounts to \$36,889.86, or 33 per cent, the traveling public having been deterred from using our steamers by fear of the Spanish fleet in the West Indian waters.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

These receipts show an increase of \$27,961.24, or 7.20 per cent, resulting from an increase in interest and exchange of \$33,387.91, or 75.43 per cent; an increase in telegraph receipts of \$7,803.40, or 247.47 per cent, due to war message service; and by accumulated earnings of machine shops and from sales of coal and material for the years 1896, 1897, and 1898, now definitely carried to earnings; to offset which there are decreases in lighterage receipts of \$35,626.17, or 16.37 per cent, of \$7,045.41, or

14.92 per cent, for wharfage, storage, and light dues, owing to loss of through tonnage; and of receipts from water supplied shipping, amounting to \$41,479.72, or 72.92 per cent, chiefly because our service at Taboga waterworks, in Panama Bay, was discontinued after January.

The following table will show the number of tons lightered during the years 1898 and 1897:

	1898.	1897.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise.....	142,536	173,212	.....	17.71
Lumber.....	872	66	1,221.21	.....
Coal.....	1,963	2,731	.....	28.12
Total.....	145,371	176,009	.....	17.41

EXPENDITURES.

The revenue expenditures of 1898 and 1897 compare as under:

	1898.	1897.	Increase.	Decrease.
Railroad.....	\$500,437.42	\$475,408.94	\$25,028.48	.....
Steamship line.....	599,172.98	583,136.62	16,036.36	.....
Joint railroad and steamship expenses.....	291,282.79	347,687.52	.....	\$56,404.73
Total expenses.....	1,390,893.19	1,406,233.08	.....	15,339.89

This table shows there is a decrease of \$15,339.89 in total revenue expenditures against a decrease of \$157,824.08 in earnings.

This decrease in total expenditures, apparently so disproportionate to the loss of traffic for the year, elsewhere herein accounted for, can be partially explained by the necessity for maintaining plant and service in an efficient condition in anticipation of resuming active operations, notwithstanding serious temporary variations in the volume of traffic and, further, by increase in outlay for maintenance of way, structures, and equipment, added to a temporary increase in cost of conducting transportation, due to an advance of 25 cents silver per day to all classes of silver pay employees.

RAILROAD.

CONDUCTING TRANSPORTATION.

This account shows an increase of \$13,200.36, or 5.35 per cent, due to the advance of 25 cents silver per day in wages above referred to.

MAINTENANCE OF EQUIPMENT.

The increase in this department, amounting to \$2,512.10, or 3.73 per cent, is due almost entirely to extensive repairs to freight cars.

MAINTENANCE OF WAY AND STRUCTURES.

Reballasting road and renewing cross-ties and rail fastenings, begun in 1897, was continued in 1898, which, together with the increase in wages referred to, accounts for an increase in this department of \$8,063.99, or 6.64 per cent.

STEAMSHIP LINE.

There is an increase of expenditure in this department, amounting to \$16,036.36, or 2.75 per cent, which is accounted for by the added cost of war-risk insurance on steamers, which were continuously operated during the Spanish-American war, amounting to \$37,031.21. But for this compulsory outlay, which caused an increase in steamer expenses of \$29,362.13, or 7.93 per cent, there would have been a net decrease of about \$21,000 in cost of operations between New York and Colon after making the same allowance in both years for "replacement," "special repairs" to and "depreciation in value" of steamships.

Repairs in deck and commissary departments of the steamers were \$19,936.05 less than in 1897; against which there was an increase of \$4,971.38 in engine department repairs; in cost of fuel of \$2,841.61; labor on cargo, \$8,606.02; labor on coal, \$2,477.03, and wages, \$4,142.14, owing to steamers making 37 round trips in 1898 instead of 36, as in 1897. The increase in cost of labor on cargo was due to the larger quantity of freight handled and to overtime caused by turning the ships around more quickly.

FLOATING EQUIPMENT.

Owing to the discontinuance during the year of our Taboga water service in Panama Bay consequent upon the installation there by the Pacific Mail Steamship Company of its own plant, the water launch and tugs *Balboa* and *Ancon* have been laid up, but kept in good repair.

At Colon a new floating pile driver, 60 by 30 by 5 feet, with a drop of 50 feet, was constructed of wooden hull, copper sheathed.

The lighterage plant was kept in good condition.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

These expenses show a decrease of \$56,404.73, or 16.22 per cent, for the year as compared with 1897, after making the same allowance in both years for "replacement" and "special repairs," as well as for "depreciation in value of tugs," etc. This is accounted for by a decreased outlay for losses on cargo, foreign agency expenses, lighterage (due to decreased tonnage lightered), repairs to docks, wharves, and cessation of Taboga water service.

Increases resulted in certain items on account of clerical additions to agency and department forces.

CAPITAL ACCOUNT.

The \$2,000,000 new 4½ per cent first-mortgage sinking-fund gold bonds, issued on September 15, 1897, were supplemented by a further issue of \$962,000, authorized on September 22, 1898. The total was reduced by the redemption, principal and interest, of 141 bonds, under the provision of the sinking-fund clause of the mortgage. The following table shows the changes in capital account for the year:

	Capital stock.	4½ per cent first-mortgage gold bonds.
Outstanding December 31, 1897.....	\$7,000,000	\$2,000,000
4½ per cent first-mortgage gold bonds issued.....		962,000
Total.....	7,000,000	2,962,000
Retired during the year.....		141,000
Outstanding December 31, 1898.....	7,000,000	2,821,000
Increase.....		821,000

The details of receipts and expenditures on capital account are shown in the following table:

CREDIT.		DEBIT.	
Cost of 481 flat and coal cars dismantled during the year.....	\$85,418.66	New terminal at La Boca.....	\$1,171,072.20
Depreciation of steamers and tugs...	43,200.00	La Boca branch, electric-light plant, office buildings, etc.....	81,386.02
Balance, charges in excess of credits.....	1,131,267.59	New floating pile driver.....	7,428.03
	<u>1,259,886.25</u>		<u>1,259,886.25</u>

One hundred and twenty-one of the outstanding 1,732 6 per cent sinking-fund subsidy bonds were drawn in September and redeemed November 1.

Continued progress was made during the year in completing the new terminal port and pier at La Boca, in the Bay of Panama, which, as now almost finished, consists of a magnificent pier 1,000 feet long, 50 feet wide, constructed on 24 solid cement piers founded on bed rock, shedded its entire length, with 5 large steam hoisting cranes and one 15-ton derrick crane, with which to discharge or load 3 large ships at one time.

Basins have been excavated alongside the pier of sufficient size to allow a free

movement of vessels of 3,000 tons capacity, and to allow such vessels to be safely berthed there at all stages of a tide which has an average rise and fall of 21 feet.

Cargo will be rapidly transferred directly to and from cars on the pier, which is connected by a branch road with the main line.

On the pier and mainland adjoining there have been newly constructed and installed an ample train yard, water plant for pier and ships, electric-light plant, treasure vault, telephone and telegraph lines, track scale and engine shed, and office buildings.

An experienced working force is on the ground, and the port captain and freight agent's residence is near by.

It was estimated in 1897 that the total cost of construction for the port, pier, and all appurtenances would be \$1,389,000, and it is to be noted that that figure has not been reached, expenditures made or contracted to be made amounting to \$1,288,597.40 for the period covered by this report.

Of this indebtedness but \$36,138.18 appeared in the company's balance sheet for December 31, 1897, that amount only having been duly verified and recognized in account up to that date.

During 1898 indebtedness to the Panama Canal Company for construction of the almost completed terminal was regularly established in account up to July 1, 1898, amounting to \$1,139,586.22, which amount was later reduced, by payment of interest up to that date, to \$1,098,617.88.

Of this amount \$962,000 is due in 1902, unless paid earlier at the company's option, and is secured by the deposit of an equivalent number of the company's new 4½ per cent gold bonds.

The balance, \$136,617.88, is due in 1900, and can be easily met from current earnings.

At this writing the pier, with its accessories, is ready for actual operation; in fact a large number of launches have already been discharged there.

It is expected that arrangements will be shortly consummated with connecting lines providing for the permanent discharging and loading of their steamers at the pier hereafter.

A large number of flat cars, required for traffic in connection with active canal operations prior to 1890, which, since then, not being in use, had become unserviceable, were dismantled, and their cost, less the value of material remaining, written off of capital account to profit and loss.

These cars had not appeared in rolling stock equipment reports since 1894.

ASSETS AND LIABILITIES.

Statements A and B show the financial condition of the company December 31, 1898.

The balance to the credit of profit and loss account of \$2,971,448.51 is represented by assets and expenditures, as follows:

Capital assets:

Cost of road, real estate, and equipment.....	\$9,778,905.81
New terminal at La Boca	1,207,210.38
La Boca branch, electric-light plant, office buildings, etc	81,386.02
Steamers <i>Alliança</i> , <i>Advance</i> , and <i>Finance</i>	287,969.27
Tugs, lighters, and floating pile driver	451,107.56
	11,806,579.04

Capital liabilities:

Capital stock.....	\$7,000,000.00
4½ per cent twenty-yearsinking-fund gold bonds (less 962 bonds in treasury)	1,859,000.00
Due contractors, new terminal at La Boca	1,098,617.88
	9,957,617.88

Capital assets over liabilities \$1,848,961.16

Other assets and expenditures:

270 6 per cent Panama Railroad Company's subsidy bonds	270,000.00
Expenditures for replacement of boilers and special repairs to floating equipment.....	33,989.12
	303,989.12

Sundry accounts receivable and coal and supplies on hand	\$388,943.96	
Sundry liabilities.....	251,773.31	
Balance		\$137,170.65
Cash on hand and with banks.....		681,327.58
Total		2,971,448.51

GENERAL REMARKS.

During the period from 1894 to 1898, inclusive, the percentage of operating expenses to gross earnings was as follows:

	Per cent.
1894.....	69.93
1895.....	61.63
1896.....	53.94
1897.....	61.12
1898.....	64.91

The causes of the increase in operating expenses were:

First. The appropriation of large sums for depreciation of the company's floating equipment.

Second. Important increases in expenditures for maintenance of way and structures begun in 1897 and continued in 1898.

Third. Increases in expenses due to advance in wages to silver-pay employees on the Isthmus.

Fourth. Increase in cost of operation of the company's steamship line due to war-risk insurance.

The company's accounts since its incorporation in 1849 to December 31, 1897, have been examined and certified as correct up to that date by expert accounting.

The traffic affairs during the year call for no further special mention than is contained in the statistical statements to be found appended hereto concerning freight and passenger business of the railroad and steamships, with information as to the earnings and expenses, also statements regarding the railroad and floating equipments.

During the year the company has been free from serious accidents of any kind, either on the railroad or the steamships.

I take pleasure in acknowledging the hearty support and cordial assistance of the company's officers and employees in the performance of my duties, and in testifying to their efficiency and loyalty to the company's interests.

Respectfully,

E. A. DRAKE,
Assistant General Manager.

TABLE A.—Balance sheet, December 31, 1898

RESOURCES.

Cost of road, real estate and equipment.....		\$9,778,905.81
New terminal at La Boca.....		1,207,210.38
La Boca branch, electric-light plant, office buildings, etc.....		81,386.02
Floating equipment:		
Steamers <i>Alliança, Finance, and Advance</i> reduced value		
December 31, 1897.....	\$329,069.27	
Depreciation fund	41,100.00	
		\$287,969.27
Tug and lighters, reduced value December 31, 1897.....	445,779.53	
Depreciation fund for tugs.....	2,100.00	
		443,679.53
New floating pile driver		7,428.03
		739,076.83
Total.....		11,806,579.04
Bonds in treasury:		
270 6 per cent Panama Railroad Company sinking-fund subsidy bonds.....	270,000.00	
962 4½ per cent twenty-year gold sinking-fund bonds.....	962,000.00	
		1,232,000.00
On deposit with financial agents for redemption of bonds:		
6 per cent subsidy bonds.....	12,000.00	
4½ per cent gold sinking-fund bonds.....	691.52	
		12,691.52
Advance of subsidy to Republic of Colombia.....		1,611,000.00
Fund for replacement of boilers and special repairs to steamers and tugs.....		33,989.12

Current assets:

Cash in bank and with agents.....	\$681,327.58	
Coal and supplies on hand.....	135,149.00	
Due from connecting companies.....	123,155.20	
Due from United States Government.....	14,934.69	
Due from companies and individuals.....	73,795.15	
Accrued interest on deposits.....	1,596.84	
Accrued interest on securities owned.....	2,700.00	
General average accounts.....	15,614.12	
Unadjusted accounts.....	21,998.96	
		\$1,070,271.54
		15,766,531.22

LIABILITIES.

Capital stock.....		\$7,000,000.00
4½ per cent twenty-year sinking-fund gold bonds (authorized issue, \$4,000,000):		
Issued to date.....	\$2,962,000.00	
Redeemed and canceled.....	141,000.00	
		2,821,000.00
Total capital stock and mortgage liabilities.....		9,821,000.00
6 per cent gold sinking-fund subsidy bonds ^a		1,611,000.00
Due contractors, new terminal at La Boea ^b		1,098,617.88
6 per cent gold sinking-fund subsidy bonds drawn, not presented for payment:		
Drawn in 1897.....	1,000.00	
Drawn in 1898.....	12,000.00	
		13,000.00
Accrued interest on bonds:		
4½ per cent twenty-year gold bonds (1859 bonds).....	20,913.75	
6 per cent subsidy bonds.....	16,110.00	
		37,023.75
Funds for redemption of bonds:		
4½ per cent twenty-year gold bonds.....	63,191.52	
6 per cent subsidy bonds.....	69,165.00	
		132,356.52
Due Republic of Colombia:		
Department of Panama.....	21,875.00	
Government of Colombia.....	1,666.67	
		23,541.67
Current liabilities:		
Isthmus drafts not presented.....	21,350.84	
Coupons not presented.....	5,138.30	
Audited vouchers.....	30,325.60	
Unclaimed dividends.....	307.00	
Due deceased or missing employees.....	1,421.15	
		58,542.89
Balance to credit of profit and loss.....		2,971,448.51
		15,766,531.22

TABLE B.—Profit and loss account, December 31, 1898.

DEBIT.

To operating expenses.....	\$1,390,893.19
Fixed charges.....	485,241.25
Cost of 481 flat and coal cars dismantled during year, less value of material fit for use.....	85,418.66
Adjustment of coal, machine shops, and supply accounts.....	55,561.04
Difference between coffee and cocoa rebates of previous years, and amounts set aside out of earnings to meet same.....	5,137.17
Expenses, 4½ per cent twenty-year sinking-fund gold bonds.....	3,592.40
Uncollectible and old accounts, charged off.....	509.65
Balance, assets over liabilities, December 31, 1898.....	2,971,448.51
	4,997,801.87

^a1,611 6 per cent gold sinking fund subsidy bonds, of \$1,000 each, amounting to \$1,611,000, issued November 1, 1880, fall due November 1, 1910.

^bOf this amount \$962,000 will become due in 1902 and is secured by an equivalent amount of the company's new 4½ per cent bonds as collateral; \$113,792.98 becomes due March 31, 1900, and \$22,824.90 on June 30, 1900. The total may be reduced in the meantime at the option of the company by payments on account.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company: First, to the payment of the interest, and second as a cumulative sinking fund for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1, after each drawing, and thereby redeeming the whole issue in 1908.

S. DEMING, Treasurer.

CREDIT.

By balance, December 31, 1897.....	\$2,713,920.70
Gross earnings.....	2,142,881.17
$4\frac{1}{2}$ per cent twenty-year sinking-fund gold bonds, redeemed.....	141,000.00
	4,997,801.87

S. DEMING, *Treasurer*.

[Extracts from the fiftieth annual report of the Panama Railroad Company.]

NEW YORK, *March 22, 1900.**To the Stockholders of the Panama Railroad Company.*

GENTLEMEN: I present for your consideration the report of the general manager, and the accompanying statement of earnings and expenditures for the calendar year 1899, and the treasurer's balance sheet and transcript of profit and loss account.

In addition to the complete statement of the company's business furnished by the reports attached, I may call to your attention that—

The new $4\frac{1}{2}$ per cent first-mortgage gold bonds have been reduced by redemption, as provided by the sinking-fund clause from \$2,821,000 to \$2,681,000 of such bonds.

The 6 per cent subsidy bonds due in 1910 have been reduced by redemption as provided by the sinking-fund clause from \$1,611,000 to \$1,482,000 of such bonds.

During the past year the completion of the company's new terminal at La Boca was announced, and the port and pier was declared open to commerce; nevertheless work has been steadily continued in deepening the sea approach to and the basins adjoining the pier to accommodate even larger ships than now call at Panama.

A survey of the port and its approach by the United States Hydrographic Office has just been completed, and the publication of charts is expected.

The development of Pacific coast traffic has increased the number of steamship lines engaged in calling at ports north of Panama, some of which are seeking to oblige the company to grant them general through billing privileges. It is a part of the company's policy to increase the number of its cocarriers on both oceans at the earliest favorable opportunity.

The contract of December 16, 1895, with the Pacific Mail Steamship Company expires by limitation in December next.

I can not too seriously dwell upon the important advantages certain to result from a development of the company's steamship line by the construction of at least three modern American steamers suited to the company's trade; in fact, such action is rendered almost imperative in order to retain our present business against increasing competition, as well as to provide for the increase in traffic which is assured.

The company's land department has been reorganized and placed in charge of competent officials.

The general manager visited the Isthmus toward the close of the year, and a report of his careful inspection of the company's property is on file.

The net earnings for the year, after payment of everything due, represent something over 4 per cent upon the capital stock (\$7,000,000), but it is deemed prudent by your directors that no distribution in dividends be made at present to the stockholders.

The company has arranged to remove its New York offices to No. 24 State street on May 1 next, and to consolidate there its present force of general and pier offices' employees so as to afford better facilities to our patrons and reduce expenses.

I refer you to the accompanying reports for further particulars.

Respectfully submitted.

J. EDWARD SIMMONS, *President*.

PANAMA RAILROAD COMPANY,
New York, March 15, 1900.

To the President of the Panama Railroad Company.

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1899, and of the condition of the company's property and finances at the close of the year.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1899.	1898.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$526,382.19	\$527,872.84	.....	\$1,490.65
Treasure	6,668.44	5,129.63	\$1,538.81	.....
Mails.....	41,648.47	39,667.14	1,981.33	.....
Extra baggage.....	6,827.62	7,926.61	.....	1,098.99
Passengers.....	30,677.08	41,811.54	.....	11,134.46
	612,203.80	622,407.76	.....	10,203.96
Panama to Colon—				
Freight	427,655.12	413,015.60	14,639.52	.....
Treasure	15,702.09	17,229.25	.....	1,527.16
Mails.....	4,871.58	5,275.11	.....	403.53
Extra baggage.....	5,564.88	7,039.22	.....	1,474.34
Passengers.....	32,969.39	41,493.43	.....	8,524.04
	486,763.06	484,052.61	2,710.45	.....
Total earnings of railroad.....	1,098,966.86	1,106,460.37	.....	7,493.51
Panama Railroad Steamship Lines—				
Freight	594,131.92	478,731.82	115,400.10	.....
Treasure	7,502.21	10,037.97	.....	2,535.76
Mails.....	53,189.72	50,917.78	2,271.94	.....
Extra baggage.....	1,949.85	1,285.64	664.21	.....
Passengers.....	100,621.00	74,891.20	25,729.80	.....
Miscellaneous.....	5,075.38	4,319.53	755.85	.....
	762,470.08	620,183.94	142,286.14	.....
Joint railroad and steamship receipts—				
Interest and exchange.....	43,290.46	77,651.39	.....	34,360.93
Lighterage.....	182,819.18	181,978.01	841.17	.....
Water supplied shipping.....	13,844.20	15,406.42	.....	1,562.22
Rental of property.....	16,751.53	16,848.45	.....	96.92
Wharfage, storage and light dues.....	38,092.13	40,180.15	.....	2,088.02
Telegraph.....	3,633.85	10,956.65	.....	7,322.80
Miscellaneous.....	1,580.84	1,558.67	22.17	.....
Earnings of machine shops.....	11,971.02	36,420.15	.....	24,449.13
Profit on coal and materials.....	21,621.81	35,236.97	.....	13,615.16
	333,605.02	416,236.86	.....	82,631.84
Total earnings.....	2,195,041.96	2,142,881.17	52,160.79	.....
EXPENDITURES.				
Operating expenses of railroad—				
General expenses on Isthmus.....	42,090.14	41,036.49	1,053.65	.....
Conducting transportation	278,961.09	259,886.66	19,074.43	.....
Maintenance of equipment.....	71,269.44	69,919.09	1,350.35	.....
Maintenance of way and structures.....	95,420.52	129,595.18	.....	34,174.66
	487,741.19	500,437.42	.....	12,696.23
Panama Railroad Steamship Line—				
Steamer expenses.....	421,952.82	399,459.46	22,493.36	.....
Agency expenses.....	110,362.40	101,613.52	8,748.88	.....
Charter of steamers.....	47,515.38	.....	47,515.38	.....
	579,830.60	501,072.98	78,757.62	.....
Joint railroad and steamship expenses—				
General expenses	94,622.88	97,864.15	.....	3,241.27
Foreign agency expenses.....	6,639.81	6,086.57	553.24	.....
Losses on cargo	2,272.81	5,589.24	.....	3,316.43
Drawback on Colombian produce	21,081.82	19,523.07	1,558.75	.....
Literage.....	111,270.28	97,790.52	13,479.76	.....
Docks and wharves.....	22,111.75	30,344.59	.....	8,232.84
Real estate and repairs to Colon buildings..	16,792.46	16,446.71	345.75	.....
Taboga waterworks.....	20.00	2,537.94	.....	2,517.94
	274,811.81	276,182.79	.....	1,370.98
Total operating expenses.....	1,342,383.60	1,277,693.19	64,690.41	.....
Earnings over operating expenses.....	852,658.36	865,187.98	.....	12,529.62

Statement of earnings and expenditures—Continued.

	1899.	1898.	Increase.	Decrease.
EXPENDITURES—continued.				
Taxes, and appropriations for depreciation and special repairs of steamers and tugs—				
Republic of Colombia for nonextension of road	\$10,000.00	\$10,000.00	.....	.....
Depreciation of steamers.....	20,550.00	41,100.00	.....	\$20,550.00
Depreciation of tugs.....	2,100.00	2,100.00	.....	.....
Replacement of boilers and special repairs of steamers	41,361.59	57,000.00	.....	15,638.41
Replacement of boilers and special repairs of tugs	3,000.00	3,000.00	.....	.....
	77,011.59	113,200.00	.....	36,188.41
Fixed charges—				
Subsidy to Republic of Colombia.....	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds.....	128,340.00	121,080.00	\$7,260.00	.....
Interest on subsidy bonds.....	96,660.00	103,920.00	.....	7,260.00
Interest on first mortgage bonds.....	80,415.00	85,241.25	.....	4,826.25
Redemption of first mortgage bonds.....	150,000.00	150,000.00	.....	.....
	480,415.00	485,241.25	.....	4,826.25
Total—Taxes, appropriations and fixed charges	557,426.59	598,441.25	.....	41,014.66
Net income	295,231.77	266,746.73	28,485.04	.....

Gross revenue receipts, expenditures and net earnings for 1899, compare, as under, with those of 1898:

	Earnings.	Operating expenses.	Earnings over operating expenses.	Taxes and appropriations for depreciations, etc.	Net earnings.
1899.....	\$2,195,041.96	\$1,342,383.60	\$852,658.36	\$77,011.59	\$775,646.77
1898.....	2,142,881.17	1,277,693.19	865,187.98	113,200.00	751,987.98
Increase in 1899.....	52,160.79	64,690.41	.....	.....	23,658.79
Decrease in 1899.....	.....	.....	12,529.62	36,188.41	.....
Decrease in fixed charges, 1899 .....	.....	.....	.....	.....	4,826.25
Increase in profit, 1899 .....	.....	.....	.....	.....	28,485.04

EARNINGS.

RAILROADS.

The total net decrease of earnings of the railroad proper in 1899, as compared with 1898, of \$7,493.51, or 0.68 per cent, results principally from a decrease in number of passengers.

The most important decrease was in cargo from points in Central America to Europe of 13,000 tons. There were large increases in business from and to New York, the most important being: to San Francisco 6,000 tons, to South Pacific ports 1,500 tons, from San Francisco 7,300 tons, from South Pacific ports 15,000 tons.

There was a decrease of 1.64 per cent in earnings on west-bound business, and an increase of 0.56 per cent on east-bound business.

The following table shows the freight tonnage carried over the railroad in 1899 as compared with 1898:

Years ending December 31.	1899.	1898.	Increase per cent.	Decrease per cent.
Tons carried west bound ^a	146,496	144,182	1.60	.....
Tons carried east bound ^a	140,904	123,974	13.66	.....
Total, east and west bound ^a	287,400	268,156	7.18	.....

^a Ton of 2,000 pounds, or 40 cubic feet.

The gross earnings per ton moved on the road compare as follows:

	Year ending December 31, 1899.	Year ending December 31, 1898.	Decrease.
West bound	\$3.59	\$3.66	<i>Per cent,</i> 1.91
East bound	3.04	3.33	8.71
Average	3.32	3.51	5.41

Table No. 4, attached to this report, shows the origin and destination of the freight carried over the railroad, and Table No. 9 gives the classification of freight from the Pacific coast destined to all ports.

Compared with 1898, the total tonnage carried over the road in 1899 shows an increase of 19,244 tons, or 7.18 per cent, and the earnings an increase of \$13,148.87, or 1.40 per cent.

Of the total tonnage carried, 50.97 per cent was west bound and 49.03 per cent eastbound. In 1898 these proportions were 53.77 per cent and 46.23 per cent, respectively.

Through freight amounted to 85.85 per cent of the total number of tons carried, against 84.16 per cent in 1898.

In 1899 there was an increase of \$1,577.80, or 3.51 per cent, on mails and a decrease of \$2,573.33, or 17.19 per cent, on excess baggage.

The following statements show the number of passengers carried and the passenger earnings:

Classification.	Number of passengers carried.			Passenger earnings.		
	1899.	1898.	Decrease.	1899.	1898.	Decrease.
			<i>Per cent.</i>			<i>Per cent.</i>
First class	4,230	4,868	13.11	\$23,713.35	\$25,106.90	5.55
Second class	68,002	112,936	39.79	39,933.12	58,198.07	31.38
Total	72,232	117,804	38.68	63,646.47	83,304.97	23.60

Average receipt for passenger.

Classification.	1899.	1898.	Increase.	Decrease.
First-class passengers:			<i>Per cent.</i>	<i>Per cent.</i>
Through	\$8.85	\$8.89	.....	0.45
Local	3.07	2.91	5.50	.....
Second-class passengers:				
Through	4.70	4.59	2.40	.....
Local .....	.54	.49	10.20	.....

The number of first-class passengers carried shows a decrease of 638, or 13.11 per cent, and \$1,393.55, or 5.55 per cent, in revenue. Second-class passengers show a decrease of 44,934 in number carried, or 39.79 per cent, and \$18,264.95 in earnings, or 31.38 per cent.

STEAMSHIP LINE.

The earnings of the steamship line show an increase of \$142,286.14, or 22.94 per cent, as compared with those of 1898, due mainly to the increase in traffic to and from San Francisco and South Pacific ports.

All classes of earnings, except treasure, show an increase, the most important being in freight earnings, of \$115,400.10, or 24.11 per cent, and passenger earnings of \$25,729.80, or 34.36 per cent.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

These receipts show a decrease of \$82,631.84, or 19.85 per cent.

Last year's receipts included the accumulated earnings for three years of machine shops and from sales of coal and materials, which accounts for the apparent decrease this year of \$38,064.29 in those receipts.

The decrease in interest and exchange of \$34,360.93 is due principally to the change in our accounting rate for conversion of Colombian silver into United States gold.

Although telegraph receipts decreased \$7,322.80, as compared with those of 1898, in which year there was an increase of \$7,803.40, due to war-message service, the receipts for 1899 of \$3,633.85 are about the average of other years.

The following table will show the number of tons lightered in Panama Bay during the years 1899 and 1898:

	1899.	1898.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise.....	147,663	142,536	3.60	.....
Lumber.....	863	872	.....	1.03
Coal.....	5,904	1,963	200.76	.....
Total.....	154,430	145,371	6.23	.....

EXPENDITURES.

The revenue expenditures of 1899 and 1898 compare as under:

	1899.	1898.	Increase.	Decrease.
Railroad.....	\$487,741.19	\$500,437.42	.....	\$12,696.23
Steamship line.....	579,830.60	501,072.98	\$78,757.62	.....
Joint railroad and steamship expenses.....	274,811.81	276,182.79	.....	1,370.98
Taxes and appropriations.....	77,011.59	113,200.00	.....	36,188.41
Total.....	1,419,395.19	1,390,893.19	28,502.00	.....

This table shows there is an increase of \$28,502 in total revenue expenditures against an increase of \$52,160.79 in earnings.

RAILROAD.

CONDUCTING TRANSPORTATION.

This department shows an increase of \$19,074.43, or 7.34 per cent, due to the advance of 45 cents, silver, per day in wages of freight handlers and to the increase of 19,244 tons in total transported.

MAINTENANCE OF EQUIPMENT.

These expenses show an increase of \$1,350.35, or 1.93 per cent over 1898, due to extensive repairs to freight and passenger cars.

MAINTENANCE OF WAY AND STRUCTURES.

The extensive repairs and improvements begun in 1897 and continued in 1898 have been completed this year, and with a decrease in these accounts amounting to \$34,174.66.

STEAMSHIP LINE.

There is an increase of expenditure in this department amounting to \$78,757.62, or 15.72 per cent, which is accounted for by the cost of chartering additional steamers to carry increase of 34,925 tons, and other expenses incidental thereto.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

These expenses show a decrease of \$1,370.98, or 0.50 per cent. There were decreases in general expenses of \$3,241.27; losses on cargo, \$3,316.43, and repairs to docks and wharves of \$8,232.84, which were offset by increase in lighterage expenses of \$13,479.76.

GENERAL REMARKS.

During the period from 1894 to 1899, inclusive, the percentage of total expenses to gross earnings was as follows:

	Per cent.
1894.....	69.93
1895.....	61.63
1896.....	53.94
1897 (including taxes and appropriations for depreciation, etc.).....	61.12
1898 (including taxes and appropriations for depreciation, etc.).....	64.91
1899 (including taxes and appropriations for depreciation, etc.).....	64.66

This year has been remarkable for a progressive increase in the price of materials and supplies of every kind, and also in the wages of laborers on the Isthmus.

The disturbed political conditions in the Republic of Colombia have resulted in reducing the number of natives available for service, rendering it necessary to import about 50 men from Fortune Island to help in handling cargo until the return of peace.

During the summer yellow fever prevailed in South America, and was introduced into Panama by the soldiery and other arrivals. Yet it did not affect the citizens nor spread among the employees of the railroad company or those of the canal company. Nevertheless the fear of infection did have a bad effect upon the passenger business of your road, which was also diminished by the lessened activity of the canal company.

On February 1, 1899, it became necessary to raise the wages of common labor 45 cents, silver, per day on the Isthmus, in addition to the increase made March 16, 1898.

Under these circumstances economies which would otherwise have been experienced do not appear; yet by an increase in the tonnage transported the cost per ton has been materially lessened. Although there was a decrease in the earnings of your railroad from tonnage delivered to the European lines of \$69,000, the increased tonnage delivered to your own steamship line, amounting to 34,130 tons, resulted in a gain of \$100,390.

This gain has been secured at an excessive cost by a weekly service which compelled the chartering of foreign ships, no American bottoms having been obtainable, but the results demonstrate that it is important to the success of your property to increase the traffic by vessels of your own, capable of handling much more than the present tonnage of your steamship line.

The important improvements carried out upon the track and roadbed of the railroad during the past two years have placed it in a condition to be maintained for some years with a minimum of expenditure; the rolling stock, buildings, and floating equipment now require similar attention, but involving only a comparatively small sum, the shops and warehouses having been extensively repaired during this year.

A machine for the destruction of weeds and grass in the track by sprinkling them with a solution of arsenic and saltpeter has been put in use, with results which promise an economy in the maintenance of way.

The premises of the railroad company at Colon are now lighted by current supplied from the plant of the Colon Electric Illuminating Company to the railroad company's wires, under a contract.

New offices for the train dispatcher, road master, and land department have been erected adjacent to the general offices at Colon, removing them from the floor of the warehouse, where the space was required for the storage of coffee and other cargo. A new passenger station has also been built at Colon.

The cost of these improvements has been charged to "Repairs and renewals."

The sums which have been heretofore appropriated on account of the depreciation of the floating equipment appear unduly large to be continued, in view of the enhanced value of such property at present, and it will be seen that a smaller charge has been determined upon as ample to accord with the actual condition of the steamships and tugs.

Four of the lighters will be condemned this year; the others are being put in good condition. Two locomotives have been dismantled this year, the boilers having been used for the machine shop.

Attention is invited to the charges paid to the Colombian Government. In addition to the annual payment in cash of \$260,000, this company has transported free several train loads of troops for the suppression of the rebellion, and 9,511 persons on passes issued by the Government. Besides, according to the contract with the Government, we have transported 24,500 tons of Colombian produce at half the regular rates, one-half of the charges being refunded in drawbacks.

The officers and employees of the company are entitled to the thanks of the board for their devotion to the company's interests.

Respectfully,

CHARLES PAINE, *General Manager.*

TABLE A.—*Balance sheet, December 31, 1899.*

RESOURCES.		
Cost of road, real estate, and equipment		\$9,774,951.74
New terminal at La Boca.....		1,386,315.91
La Boca branch, electric-light plant, office buildings, etc.....		92,367.78
Floating equipment:		
Steamers <i>Allianca</i> , <i>Finance</i> , and <i>Advance</i> , reduced value, December 31, 1898.....	\$287,969.27	
Depreciation fund	20,550.00	
	\$267,419.27	
Tugs and lighters, reduced value, December 31, 1898.....	443,679.53	
Depreciation fund for tugs	2,100.00	
	441,579.53	
		708,998.80
Total.....		11,962,634.23
Bonds in treasury:		
247 6 per cent Panama Railroad Company sinking fund subsidy bonds.....	247,000.00	
939 4½ per cent twenty-year gold sinking fund bonds.....	939,980.00	
		1,186,980.00
On deposit with financial agents for redemption of bonds:		
6 per cent subsidy bonds.....	12,000.00	
4½ per cent gold sinking fund bonds.....	1,263.83	
		13,263.83
Advance of subsidy to Republic of Colombia.....		1,482,000.00
Current assets:		
Cash in banks and with agents.....	888,006.14	
Coal and supplies on hand.....	161,275.74	
Due from connecting companies	95,740.49	
Due from United States Government.....	16,421.60	
Due from companies and individuals	144,080.81	
Accrued interest on deposits.....	6,386.67	
Accrued interest on securities owned.....	2,738.75	
General average accounts	14,671.99	
Unadjusted accounts	58,100.95	
		1,387,423.14
		16,032,301.20
LIABILITIES.		
Capital stock.....		\$7,000,000.00
4½ per cent, twenty-year sinking fund gold bonds (authorized issue, \$4,000,000):		
Issue to date (2,962 bonds, less 141 bonds previously redeemed).....	\$2,821,000.00	
Less drawn for redemption in 1899.....	140,000.00	
		2,681,000.00
Total capital stock and mortgage liabilities.....		9,681,000.00
6 per cent gold sinking fund subsidy bonds ^a		1,482,000.00
Due contractors, new terminal at La Boca ^b		1,179,924.96
Bonds drawn for redemption not presented for payment:		
4½ per cent, twenty-year gold bond.....	1,072.50	
6 per cent subsidy bonds.....	13,000.00	
		14,072.50
Accrued interest on bonds:		
4½ per cent, twenty-year gold bonds (1,763 bonds).....	19,833.75	
6 per cent subsidy bonds.....	14,820.00	
		34,653.75

^a1,482 6 per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$1,482,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

^bOf this amount \$916,000 will become due in 1902, and is secured by an equivalent amount of the company's new 4½ per cent bonds as collateral; \$113,792.98 becomes due March 31, 1900, \$22,824.90 on June 30, 1900, and \$127,307.08 on December 31, 1900. The total may be reduced in the meantime at the option of the company by payments on account.

S. DEMING, *Treasurer.*

Funds for redemption of bonds:		
4½ per cent, twenty-year gold bonds.....	\$62,691.33	
6 per cent subsidy bonds.....	69,795.00	
		\$132,486.33
Due Republic of Colombia:		
Department of Panama.....	21,875.00	
Government of Colombia.....	1,666.67	
		23,541.67
Fund for replacement of boilers and special repairs to tugs.....		9,000.00
Current liabilities:		
Isthmus drafts not presented.....	21,963.38	
Coupons not presented.....	3,235.00	
Audited vouchers.....	57,428.50	
Unclaimed dividends.....	307.00	
Due deceased or missing employees.....	2,289.17	
		85,223.05
Balance to credit of profit and loss.....		3,390,398.94
Total.....		16,032,301.20

TABLE B.—Profit and loss account, December 31, 1899.

DEBIT.	
To operating expenses.....	\$1,342,383.60
Taxes, and appropriations for depreciation and special repairs of steamers and tugs.....	77,011.59
Fixed charges.....	480,415.00
Cost of 2 locomotives, dismantled during the year, less value of parts fit for use.....	10,182.10
Adjustment of accounts of previous years.....	5,975.39
Uncollectible accounts written off.....	123.85
Balance, assets over liabilities, December 31, 1899.....	3,390,398.94
Total.....	5,306,490.47
CREDIT.	
By balance, December 31, 1898.....	\$2,971,448.51
Gross earnings.....	2,195,041.96
4½ per cent, twenty-year sinking fund gold bonds redeemed.....	140,000.00
Total.....	5,306,490.47

TABLE No. 1.—Comparative statement of operating expenses of railroad for the years ending December 31, 1898 and 1899.

	1899.	1898.
General expenses on the Isthmus:		
Advertising.....	\$15.60	\$14.50
Cablegrams.....	880.34	596.31
Hospital service.....	7,597.02	6,289.09
Legal expenses.....	2,930.00	2,940.90
Salaries of officers.....	12,331.08	11,403.18
Salaries of clerks and attendants.....	13,286.24	12,830.50
Office expenses, stationery and printing.....	1,615.77	1,828.83
Other expenses.....	3,434.09	5,133.18
Total.....	42,090.14	41,036.49
Conducting transportation:		
Advertising.....	1,262.40	1,423.00
Clearing wrecks.....	25.88	39.41
Enginers and firemen.....	22,391.26	22,537.36
Fuel for locomotives.....	24,521.30	27,224.47
Injuries to persons.....	171.84	78.46
Labor—Colon and Panama stations.....	96,536.49	73,287.87
Oil, tallow, waste and other supplies for locomotives.....	1,504.86	1,507.09
Roundhouse men.....	5,143.05	5,128.32
Superintendence and clerks.....	3,159.90	4,201.87
Switchmen, yardmen, and yard watchmen.....	26,346.16	29,306.16
Station agents and clerks.....	61,842.04	60,623.44
Station supplies and expenses.....	5,495.15	2,943.40
Stationery and printing.....	2,531.76	2,643.23
Train conductors, baggagemen, flagmen, and brakemen.....	15,341.04	15,932.34
Train supplies and expenses.....	2,122.85	2,014.12
Telegraph expenses.....	6,968.99	6,143.20
Water supply for locomotives.....	2,727.39	3,992.98
Other expenses.....	868.73	859.94
Total.....	278,961.09	259,886.66

TABLE NO. 1.—Comparative statement of operating expenses of railroad for the years ending December 31, 1898 and 1899—Continued.

	1899.	1898.
Maintenance of equipment:		
Repairs of freight cars.....	\$36,460.48	\$32,961.68
Repairs of locomotives.....	10,442.96	13,762.71
Repairs of passenger cars.....	7,208.29	5,715.98
Repairs and renewals of shop machinery and tools.....	5,026.07	4,293.29
Superintendence and clerks.....	11,938.96	13,023.42
Stationery and printing.....	192.68	162.01
Total.....	71,269.44	69,919.09
Maintenance of way and structures:		
Repairs of bridges and culverts.....	5,956.32	5,805.14
Repairs and renewal of general offices.....	4,250.96	570.13
Repairs of road machinery and tools.....	2,029.76	2,216.16
Repairs of roadway and track.....	29,347.83	53,557.07
Renewals of switches and frogs.....	535.52	429.91
Renewal of spikes and rail fastenings.....	4,837.95	8,883.03
Repairs and renewal of station buildings.....	10,579.05	4,676.30
Repairs of shop buildings, water and fuel stations.....	15,115.36	2,806.80
Repairs of section houses, tool houses, etc.....	13.87	55.35
Renewal of ties.....	6,099.34	35,379.02
Repairs of telegraph.....	1,753.86	1,159.92
Removal of weeds, brush, grass, etc.....	5,648.89	4,724.25
Superintendence and clerks.....	8,901.36	9,133.63
Stationery and printing.....	295.07	209.03
Other expenses.....	55.38	100.14
Total.....	95,420.52	129,595.18

^a Credit.

[Extracts from the fifty-first annual report of the Panama Railroad Company.]

NEW YORK, March 28, 1901.

To the stockholders of the Panama Railroad Company.

GENTLEMEN: The year has been one of the most important in the history of the company. The report of the general manager, with the accompanying statement of earnings and expenses for the calendar year 1900, and the treasurer's balance sheet and transcript of profit and loss account, will furnish you detailed information upon the physical and financial aspects of the company's properties and affairs.

The capital stock issue remains unchanged; the new 4½ per cent first mortgage gold bond issue has been reduced by redemption in the sum of \$139,000 par value of such bonds; and the 6 per cent subsidy bond issue has also been reduced by redemption in the amount of \$136,000 par value of such bonds.

In my last report I advised you of the practical completion of the new port and terminals at La Boca; but naturally in a work of this magnitude (perhaps the largest of its character on the Pacific side of the continent) additional improvements and work, including the deepening of the channel and basins, became desirable in order to bring the port and terminals to their fullest utility. This has been accomplished; the port is now open to commerce, and ships for the first time in the history of the Panama route now load and discharge directly at the dock.

At our request the United States Hydrographic Office has made a survey and chart of the harbor and port of La Boca, and very considerably has delayed publication of the Official Government Chart in order to include therein the results established by the company's continued operations during the last year, and which results were in December last verified by the surveying party detailed from the United States steamer *Bancroft*.

As an incident of this most important work, we have deemed it of importance that the Republic of Colombia should make formal declaration of its acceptance of the port and pier as being in full compliance with the terms of our concession in that regard. Throughout the year we have conducted negotiations with Colombia and have reached a satisfactory agreement by which the Government has made and published a legislative decree of acceptance and approval. All payments in this connection have been made by the company, and the company is now relieved from the obligation henceforth to pay \$10,000 per annum, which by the concession it was required to pay until the completion of these improvements.

In due course the cost of the La Boca port and terminals will be capitalized into

the new $4\frac{1}{2}$ per cent first mortgage gold bonds, which were authorized to be issued for this purpose under the existing mortgage.

During the past year the long standing contract with the Pacific Mail Steamship Company expired by limitation, and this company, for the first time in a generation, regained its complete liberty of action.

The great changes which had come about in the traffic world had convinced the directors that the time had arrived to inaugurate the "open-door policy" for the Panama route, and we therefore declined to confer upon any one steamship line exclusive privileges over the Panama route. We accordingly negotiated and recently have executed satisfactory traffic agreements with several important steamship lines on the Pacific, and also have renewed the long standing contracts with the seven Atlantic lines now serving the Panama route. The same privilege upon equal terms was offered by us to the Pacific Mail Steamship Company, but that company expressed its unwillingness to contract other than upon an exclusive basis.

The inauguration of the policy above referred to, together with the growth of traffic, brings us to the consideration of additions to our steamship service, and we are seriously considering the construction of new ships for our Atlantic line. Upon the Pacific side we have met the requirements of our increasing traffic by the charter of vessels of American registry.

We fully appreciate that the adoption of this new policy involves additional expenditures and vigilant attention, and that the operations are somewhat of an experimental nature, but we expect good results ultimately to flow from this larger and more progressive policy.

A full traffic agency at San Francisco has been established during the year.

The possible extension of our Atlantic service to Atlantic ports other than New York is also under examination.

We fully recognize the importance of developing traffic on the Atlantic seaboard, and especially to furnish the Gulf States an outlet for their products via the Isthmus route.

The net earnings for the year represent $6\frac{2}{3}$ per cent upon the capital stock.

I refer you to the accompanying reports for more detailed particulars.

Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 15, 1901.

To the President of the Panama Railroad Company.

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1900, and of the condition of the company's property and finances at the close of the year.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1900.	1899.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$505,898.92	\$526,382.19	.....	\$20,483.27
Treasure	9,376.45	6,668.44	\$2,708.01	.....
Mails	45,653.70	41,648.47	4,005.23	.....
Extra baggage	8,546.59	6,827.62	1,718.97	.....
Passengers	38,614.86	30,677.08	7,937.78	.....
	608,090.52	612,203.80	.....	4,113.28
Panama to Colon—				
Freight	599,178.19	427,655.12	171,523.07	.....
Treasure	12,868.20	15,702.09	.....	2,833.89
Mails	5,116.47	4,871.58	244.89	.....
Extra baggage	7,890.79	5,564.88	2,325.91	.....
Passengers	37,852.07	32,969.39	4,882.68	.....
	662,905.72	486,763.06	176,142.66	.....
Total earnings of railroad.....	1,270,996.24	1,098,966.86	172,029.38	.....

Statement of earnings and expenditures—Continued.

	1900.	1899.	Increase.	Decrease.
EARNINGS—continued.				
Railroad—Continued.				
Panama Railroad Steamship Line—				
Atlantic service—				
Freight	\$769,225.62	\$594,131.92	\$175,093.70	.....
Treasure	8,044.02	7,502.21	541.81	.....
Mails	60,618.30	53,189.72	7,428.58	.....
Extra baggage	2,047.63	1,949.85	97.78	.....
Passengers	128,234.78	100,621.00	27,613.78	.....
Miscellaneous	7,814.88	5,075.38	2,739.50	.....
	975,985.23	762,470.08	213,515.15	.....
Pacific service—				
Freight	5,922.06	.....	5,922.06	.....
Passengers	155.00	.....	155.00	.....
	6,077.06	.....	6,077.06	.....
Joint railroad and steamship receipts	402,136.18	333,605.02	68,531.16	.....
Total earnings	2,655,194.71	2,195,041.96	460,152.75	.....
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus	40,216.25	42,090.14	.....	\$1,873.00
Conducting transportation	309,516.83	278,961.09	30,555.74	.....
Maintenance of equipment	116,518.87	71,269.44	45,249.43	.....
Maintenance of way and structures	95,810.60	95,420.52	390.08	.....
	562,062.55	487,741.19	74,321.36	.....
Panama Railroad Steamship Line:				
Atlantic service—				
Steamer expenses	576,391.96	421,952.82	154,439.14	.....
Agency expenses	116,689.67	110,362.40	6,327.27	.....
Charter of steamers	140,634.79	47,515.38	93,119.41	.....
	833,716.42	579,830.60	253,885.82	.....
Pacific Service—				
Steamer expenses	3,801.11	.....	3,801.11	.....
Agency expenses	8.92	.....	8.92	.....
Charter of steamers	6,650.00	.....	6,650.00	.....
	10,460.03	.....	10,460.03	.....
Joint railroad and steamship expenses	321,164.78	274,811.81	46,352.97	.....
Total operating expenses	1,727,403.78	1,342,383.60	385,020.18	.....
Earnings over operating expenses	927,790.93	852,658.36	75,132.57	.....
Taxes, and appropriations for depreciation and special repairs of steamers and tugs:				
Republic of Colombia for nonextension of road .....	.....	10,000.00	.....	10,000.00
Depreciation of steamers .....	.....	20,550.00	.....	20,550.00
Depreciation of tugs	2,100.00	2,100.00	.....	.....
Replacement of boilers and special repairs of steamers .....	.....	41,361.59	.....	41,361.59
Replacement of boilers and special repairs of tugs	3,000.00	3,000.00	.....	.....
	5,100.00	77,011.59	.....	71,911.59
Fixed charges:				
Subsidy to Republic of Colombia	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds	136,080.00	128,340.00	7,740.00	.....
Interest on subsidy bonds	88,920.00	96,660.00	.....	7,740.00
Interest on first mortgage bonds	75,926.25	80,415.00	.....	4,488.75
Redemption of first mortgage bonds	150,000.00	150,000.00	.....	.....
	475,926.25	480,415.00	.....	4,488.75
Total taxes, appropriations, and fixed charges	481,026.25	557,426.59	.....	76,400.34
Net income	446,764.68	295,231.77	151,532.91	.....

Gross revenue receipts, expenditures, and net earnings for 1900 compare, as under, with those of 1899:

	Earnings.	Operating ex- penses.	Earnings over operat- ing expenses.	Taxes and appropria- tions for de- preciations, etc.	Net earnings.
1900.....	\$2,655,194.71	\$1,727,403.78	\$927,790.93	\$5,100.00	\$922,690.93
1899.....	2,195,041.96	1,342,383.60	852,658.36	77,011.59	775,646.77
Increase in 1900	460,152.75	385,020.18	75,132.57	.....	147,044.16
Decrease in 1900 .....	.....	.....	.....	71,911.59	.....
Decrease in fixed charges, 1900.....	.....	.....	.....	.....	4,488.75
Increase in profit, 1900.....	.....	.....	.....	.....	151,532.91

EARNINGS.

RAILROAD.

The total net earnings of the railroad proper in 1900, as compared with 1899, show an increase of \$172,029.38, or 15.65 per cent, resulting principally from increased freight traffic, east bound; there were also large increases in nearly all other kinds of traffic.

The greatest increase in east-bound traffic was from South Pacific ports to New York, of 36,000 tons. Cargo from points in Central America to Europe increased 13,000 tons; from San Francisco to New York 11,000 tons. West-bound traffic to points in Central America and Mexico increased 4,700 tons, while traffic to San Francisco decreased 3,000 tons.

There was a decrease of 0.67 per cent in earnings on west-bound business, and an increase of 36.19 per cent on east-bound business.

The following table shows the freight tonnage carried over the railroad in 1900 as compared with 1899:

[Ton of 2,000 pounds, or 40 cubic feet.]

	Year end- ing De- cember 31, 1900.	Year end- ing De- cember 31, 1899.	Increase.
West bound.....	153,758	146,496	<i>Per cent.</i> 4.96
East bound	203,619	140,904	44.51
Total	357,377	287,400	24.35

The gross earnings per ton moved on the road compare as follows:

	Year end- ing De- cember 31, 1900.	Year end- ing De- cember 31, 1899.	Decrease.
West bound.....	\$3.29	\$3.59	<i>Per cent.</i> 8.36
East bound.....	2.94	3.04	3.29
Average east and west bound.....	3.09	3.32	6.93

Table No. 4, attached to this report, shows the origin and destination of the freight carried over the railroad.

Compared with 1899, the total tonnage carried over the road in 1900 shows an increase of 69,977 tons, or 24.35 per cent, and the earnings an increase of \$151,039.80, or 15.83 per cent.

Of the total tonnage carried, 43.02 per cent was west bound and 56.98 per cent east bound. In 1899 these proportions were 50.97 per cent and 49.03 per cent respectively.

The proportion of through traffic to the total tonnage was 87.11 per cent; in 1899 through freight amounted to 85.85 per cent.

Earnings from transportation of mails amounted to \$50,770.17, an increase of \$4,250.12, or 9.13 per cent, over 1899; receipts from excess baggage increased \$4,044.88, or 32.64 per cent.

The following statements show the number of passengers carried and the passenger earnings:

Classification.	Number of passengers carried.			Passenger earnings.		
	1900.	1899.	Increase.	1900.	1899.	Increase.
			<i>Per cent.</i>			<i>Per cent.</i>
First class	5,590	4,230	32.15	\$31,375.56	\$33,713.35	32.31
Second class.....	77,642	68,002	14.18	45,091.37	39,933.12	12.92
Total	83,232	72,232	15.23	76,466.93	63,646.47	20.14

Average receipt per passenger.

Classification.	1900.	1899.	Increase.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>
First class:				
Through	\$8.97	\$8.85	1.36	.....
Local	3.44	3.07	12.05	.....
Second class:				
Through	1.92	4.70	.....	59.15
Local .....	.51	.54	.....	5.56

First-class passengers increased 1,360, or 32.15 per cent, in number, and \$7,662.21, or 32.31 per cent, in earnings. Second-class passengers increased 9,640 in number, or 14.18 per cent, and \$5,158.25, or 12.92 per cent, in earnings. The marked decrease in the average receipt per passenger for second-class through passengers was due to the low rate obtained on laborers proceeding from Jamaica to Guayaquil.

STEAMSHIP LINES.

The Atlantic line also shows the effect of the increased freight traffic, mentioned elsewhere, from South Pacific ports and San Francisco to New York, the earnings amounting to \$769,225.62 in 1900, an increase of \$175,093.70, or 29.47 per cent, as compared with those of 1899.

Of the total tonnage transported, 119,568 tons were carried by the company's steamers and 72,031 tons by chartered steamers.

Passenger earnings were greater in 1900 by \$27,613.78, or 27.44 per cent, than in the previous year, and mail earnings increased \$7,428.58, or \$13.95 per cent.

The total earnings of the Atlantic line from all sources was \$975,985.23, an increase of \$213,515.15, or 28 per cent.

The steamship *St. Paul*, the first chartered ship of our Pacific line, sailed from San Francisco December 18 and arrived at La Boca wharf January 1, 1901.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

The total net result of earnings under this heading increased \$68,531.16, or 20.54 per cent.

The following table will show the number of tons lightered in Panama Bay during the years 1900 and 1899:

	1900.	1899.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise.....	188,936	147,663	27.95	.....
Lumber.....	255	863	.....	70.45
Coal.....	5,682	5,904	.....	3.76
	194,873	154,430	26.19	.....

EXPENDITURES.

The revenue expenditures of 1900 and 1899 compare as under:

	1900.	1899.	Increase.	Decrease.
Railroad	\$562,062.55	\$487,741.19	\$74,321.36	.....
Steamship line:				
Atlantic service.....	833,716.42	579,830.60	253,885.82	.....
Pacific service	10,460.03	.....	10,460.03	.....
Joint railroad and steamship expenses	321,164.78	274,811.81	46,352.97	.....
Taxes and appropriations	5,100.00	77,011.59	.....	\$71,911.59
Total.....	1,732,503.78	1,419,395.19	313,108.59	.....

This table shows an increase of \$313,108.59 in total revenue expenditures, while there was an increase of \$460,152.75 in total earnings.

RAILROAD.

CONDUCTING TRANSPORTATION.

The expenses of this department, compared with 1899, show an increase of \$30,555.74, or 10.95 per cent. The tonnage moved increased 69,977 tons, or 24.35 per cent.

MAINTENANCE OF EQUIPMENT.

The cost of repairs and maintenance of the rolling stock and other equipment was \$116,518.87 in 1900, an increase of 63.49 per cent as compared with the previous year.

The machine shop at Colon has been furnished with a new cupola for the foundry, a new pipe-cutting machine, a new planer and matcher for the car shop, and an exhaust fan for carrying the shavings from the carpenter shop to the boilers.

The repairs effected in the shops comprise, besides ordinary running repairs, the complete renewal of 7 locomotives, including the supply of 2 new boilers.

Two hundred and sixteen freight cars have received general repairs; 170 box cars have received new roofs.

Twenty-four passenger cars received general repairs.

A critical inventory shows that 7 box cars and 2 flat cars are missing from the series of numbers, although none have been destroyed during the past year. As no positive inventory has been taken before this during the term of the present superintendent, it is believed that they were destroyed at some earlier date.

MAINTENANCE OF WAY AND STRUCTURES.

The total expenditures charged to this department in 1900 were \$95,810.60, an increase of only \$390.08, or 0.04 per cent, although the following considerable repairs were made:

Bridge No. 15 has been replaced by a new iron bridge, at a cost of \$9,320.

The south abutment of bridge No. 49 was rebuilt.

Six culverts were also rebuilt, and all iron bridges between Colon and Panama repainted.

Twenty-six thousand nine hundred and seventy-five feet of drain tile have been laid in cuttings.

Angle plates have been placed in the track between Corozal and Panama, a distance of 2.8 miles, which completes the fishing of the rails upon the main line.

A new track, adjacent to the wharf at La Boca, 1,100 feet long, has been laid down.

The deviation of the main line between Culebra and Pedro Miguel has been completed, and was put in use on March 3, 1901.

The reservoir at Mount Hope has been deepened by raising the embankments around it, affording a considerable addition to the supply.

The water from a spring on Mount Ancon has been conveyed to the tanks at La Boca, affording an increase of about 5,000 gallons per day.

The capacity of the reservoir at Colon has been increased by raising the walls 3 feet, giving increased storage of about 73,000 gallons.

The whole cost of the apparatus for the "removal of weeds and grass" by sprinkling with poisons has been charged to that account, showing an apparent increase; but the cost of the year's work has really been \$1,673 less than in the previous year.

STEAMSHIP LINES.

The expenses of operating steamers between New York and Colon were \$833,716.42 in 1900, an increase of \$253,885.82, or 43.79 per cent, the increase in tonnage being 37.24 per cent.

As will appear from the accounts the steamships owned by this company have received very extensive repairs inside and outside; the use of the electric current has been extended to their night signals with satisfactory results.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

The net increase in the expenditures under this head was \$46,352.97, or 16.87 per cent.

Ligherage expenses increased \$33,475.37, or 30.08 per cent.

Seven launches have received general repairs; 2 launches have been condemned as beyond repair, and others will be condemned this year.

The tug *Ancon* has been put in good repair to enable it temporarily to take the place of the *Bolivar*, which requires new boilers.

The water boat *Balboa* was condemned, her machinery removed, and the remains sold for scrap.

GENERAL REMARKS.

During the period from 1894 to 1900, inclusive, the percentage of total expenses to gross earnings was as follows:

	Per cent.
1894	69.93
1895	61.63
1896	53.94
1897 (including taxes and appropriations for depreciation, etc.)	61.12
1898 (including taxes and appropriations for depreciation, etc.)	64.91
1899 (including taxes and appropriations for depreciation, etc.)	64.66
1900 (including taxes and appropriations for depreciation, etc.)	65.25

An important improvement has taken place by the removal of the clerical force from the pier to the general offices at No. 24 State street, thereby consolidating the traffic department, to the great advantage of the patrons of the steamship line. This change resulted in the discontinuance of the general agency and the appointment of a terminal superintendent.

The falling off in freights delivered to European lines, which was noted in the annual report for 1899, was recovered this year, the earnings from freight to Europe having been slightly in excess of the receipts in 1898.

The local business of the road has been unfavorably affected by political disturbances on the Isthmus during the entire year.

The station at Monkey Hill has been named Mount Hope, to correspond with the name of the cemetery.

It has been necessary to charter ships on the Atlantic for 42 trips between Colon and New York in order to carry the freight offering. This is an expensive method of doing business, but nevertheless has afforded some profit to the railroad as well as to the steamship line.

The progressive increase in the price of materials referred to in the last annual report has continued through this year, appearing most conspicuously in the coal accounts.

We were obliged by the scarcity of labor to import about 30 men from Fortune Island, making in all 80 persons from there in the company's service.

Although yellow fever continued among the troops at Panama until late in the year, no citizens upon the Isthmus were affected, nor was there any case among our passengers.

On October 15 this company assumed charge of the work at La Boca.

There yet remains a small amount of rock to be excavated in the basin of evolution, but nothing to impede the use of the wharf, at which vessels of 3,000 tons burden, chartered by this company on the Pacific coast, are regularly discharged and loaded with great economy.

During the year the purchase of the shed and leasehold of pier No. 57, North River, New York, was accomplished, insuring control of that pier by a direct lease to the Panama Railroad Company from the dock department until 1911.

The officers and employees of the company have served its interests faithfully and energetically, deserving the thanks of the board for their efforts, to which are due the success of the year's operations.

Respectfully,

CHARLES PAINE, *General Manager.*

TABLE A.—Balance sheet, December 31, 1900.

RESOURCES.

Cost of road, real estate, and equipment		\$9,774,951.74	
New terminal at La Boca.....		1,660,629.07	
La Boca branch, electric-light plant, office buildings, etc.....		99,204.01	
Floating equipment:			
Steamers <i>Alliança</i> , <i>Finance</i> , and <i>Adrance</i> , reduced value December 31, 1899		\$267,419.27	
Tugs and lighters, reduced value December 31, 1899.....	\$441,579.53		
Depreciation fund for tugs, and cost of water boat <i>Balboa</i> and 4 lighters broken up	95,584.40		
		<u>345,995.13</u>	
			613,414.40
Total.....			<u>12,148,199.22</u>
Bonds in treasury:			
226 6 per cent Panama Railroad Company sinking fund subsidy bonds.....	226,000.00		
902 4½ per cent twenty-year gold sinking fund bonds.....	903,037.50		
		<u>1,129,037.50</u>	
On deposit with financial agents for redemption of bonds:			
6 per cent subsidy bonds	11,000.00		
4½ per cent gold sinking fund bonds.....	7,648.45		
		<u>18,648.45</u>	
Advance of subsidy to Republic of Colombia.....			1,346,000.00
Current assets:			
Cash in banks and with agents.....		840,024.02	
Coal and supplies on hand		175,250.56	
Due from connecting companies		71,175.81	
Due from United States Government.....		20,411.40	
Due from companies and individuals		112,839.34	
Accrued interest on deposits		8,423.10	
Accrued interest on securities owned		2,507.50	
General average accounts		910.82	
Unadjusted accounts, including purchase of leasehold pier 57, North River, until 1911.....		97,948.90	
Prepaid insurance and charter of steamers.....		20,169.72	
		<u>1,349,661.17</u>	
Total.....			<u>15,991,546.34</u>

LIABILITIES.

Capital stock.....			\$7,000,000.00
4½ per cent twenty-year sinking fund gold bonds (authorized issue, \$4,000,000):			
Issued to date (2,962 bonds, less 281 bonds previously redeemed).....	\$2,681,000.00		
Drawn for redemption in 1900	139,000.00		
		<u>2,542,000.00</u>	
Total capital stock and mortgage liabilities			9,542,000.00
6 per cent gold sinking fund subsidy bonds ^a			1,346,000.00
Due contractors, new terminal at La Boca ^b			911,568.95
Bonds drawn for redemption not presented for payment:			
4½ per cent twenty-year gold bond.....	6,435.00		
6 per cent subsidy bonds.....	11,000.00		
		<u>17,435.00</u>	
Accrued interest on bonds:			
4½ per cent twenty-year gold bonds (1,662 bonds).....	18,697.50		
6 per cent subsidy bonds	14,820.00		
		<u>33,517.50</u>	
Funds for redemption of bonds:			
4½ per cent twenty-year gold bonds	63,713.45		
6 per cent subsidy bonds	69,875.00		
		<u>133,588.45</u>	
Due Republic of Colombia:			
Department of Panama			21,875.00
Fund for replacement of boilers and special repairs to tugs			12,000.00
Current liabilities:			
Isthmus drafts not presented	33,619.00		
Coupons not presented.....	1,765.00		
Audited vouchers.....	67,750.48		
Unclaimed dividends	307.00		
Due deceased or missing employes	2,288.27		
		<u>105,729.75</u>	
Balance to credit of profit and loss.....			3,867,831.69
			<u>15,991,546.34</u>

^a1,346 6 per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$1,346,000, issued November 1, 1880, fall due November 1, 1910.

^bOf this amount \$876,000 will become due in 1903 and is secured by an equivalent amount of the company's new 4½ per cent bond as collateral. The total may be reduced in the meantime at the option of the company by payments on account.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company: First to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal, the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1, after each drawing, and thereby redeeming the whole issue of 1908.

S. DEMING, Treasurer.

TABLE B.—*Profit and loss account, December 31, 1900.*

DEBIT.		
To operating expenses.....		\$1,727,403.78
Appropriations for depreciation and special repairs of tugs.....		5,100.00
Fixed charges.....		475,926.25
Cost of water boat <i>Balboa</i> and 4 lighters, dismantled during the year, less value of parts fit for use and scrap.....		92,759.77
Supplies of no value written off.....		777.47
Uncollectible accounts written off.....		16,570.76
Balance, assets over liabilities, December 31, 1900.....		3,867,831.69
		6,186,369.72
CREDIT.		
By balance, December 31, 1899.....		\$3,390,398.94
Gross earnings.....		2,655,194.71
4½ per cent twenty-year sinking fund gold bonds, redeemed.....		139,000.00
Accounts of previous years settled.....		1,776.07
		6,186,369.72

TABLE NO. 1.—*Comparative statement of operating expenses of railroad for the years ending December 31, 1899 and 1900.*

	1900.	1899.
General expenses on the Isthmus:		
Advertising.....	\$15.12	\$15.60
Cablegrams.....	174.45	880.34
Hospital service.....	7,997.57	7,597.02
Legal expenses.....	2,574.93	2,930.00
Salaries of officers.....	11,673.07	12,331.08
Salaries of clerks and attendants.....	12,725.58	13,286.24
Office expenses, stationery, and printing.....	2,370.98	1,615.77
Other expenses.....	2,684.55	3,434.09
Total.....	40,216.25	42,090.14
Conducting transportation:		
Advertising.....	1,256.72	1,262.40
Clearing wrecks.....	72.46	25.88
Engineers and firemen.....	23,446.97	22,391.26
Fuel for locomotives.....	32,382.58	24,521.30
Injuries to persons.....	5,512.70	171.84
Labor—Colon and Panama stations.....	101,502.33	96,536.49
Oil, tallow, waste, and other supplies for locomotives.....	1,637.78	1,504.86
Roundhouse men.....	6,385.52	5,143.05
Superintendence and clerks.....	3,872.24	3,159.90
Switchmen, yardmen, and yard watchmen.....	27,883.17	26,346.16
Station agents and clerks.....	60,696.99	61,842.04
Station supplies and expenses.....	12,402.50	5,495.15
Stationery and printing.....	2,564.53	2,531.76
Train conductors, baggagemen, flagmen, and brakemen.....	14,371.82	15,341.04
Train supplies and expenses.....	2,717.57	2,122.85
Telegraph expenses.....	8,228.96	6,968.99
Water supply for locomotives.....	3,230.02	2,727.39
Other expenses.....	1,351.97	868.73
Total.....	309,516.83	278,961.09
Maintenance of equipment:		
Repairs of freight cars.....	51,307.00	36,460.48
Repairs of locomotives.....	30,986.38	10,442.96
Repairs of passenger cars.....	7,459.23	7,208.29
Repairs and renewals of shop machinery and tools.....	15,648.60	5,026.07
Superintendence and clerks.....	10,882.82	11,938.96
Stationery and printing.....	234.84	192.68
Total.....	116,518.87	71,269.44
Maintenance of way and structures:		
Repairs of bridges and culverts.....	23,852.66	5,956.32
Repairs and renewal of general offices.....	2,124.76	4,250.96
Repairs of road machinery and tools.....	2,208.68	2,029.76
Repairs of roadway and track.....	23,607.76	29,347.83
Renewals of switches and frogs.....	987.41	535.52
Renewals of spikes and rail fastenings.....	4,608.06	4,837.95
Repairs and renewal of station buildings.....	3,178.54	10,579.05
Repairs of shop buildings, water, and fuel stations.....	5,200.99	15,115.36
Repairs of section houses, tool houses, etc.....	231.11	13.87
Renewal of ties.....	13,758.36	6,099.34
Repairs of telegraph.....	1,691.23	1,753.86
Removal of weeds, brush, grass, etc.....	6,732.29	5,648.89
Superintendence and clerks.....	7,394.20	8,901.36
Stationery and printing.....	204.86	295.07
Other expenses.....	29.69	55.38
Total.....	95,810.60	95,420.52

TABLE NO. 2.—Comparative statement of expenses of steamship line—Atlantic service—for years ending December 31, 1899 and 1900.

	1900.	1899.
Steamer expenses:		
Port charges	\$20,353.72	\$17,821.19
	1900.	1899.
Custom-house, entrance, clearance and consular fees, etc	\$12,753.83	\$11,396.67
Pilotage	6,620.89	5,864.52
Quarantine	979.00	560.00
Docking	3,426.29	1,571.18
Equipment, deck, engine, and commissary departments	10,889.11	8,502.35
Fuel	89,512.67	65,614.80
Feeding passengers and crew	55,279.69	42,069.04
Insurance	22,728.10	22,760.05
Labor on cargo	121,072.38	92,068.54
Labor on coal	12,196.91	11,624.25
Labor on ashes	1,291.00	902.10
Loss and damage	3,184.06	1,425.10
Oil and waste	1,523.80	973.80
Painting ship's bottom	2,815.04	1,736.88
Repairs, deck, engine, and commissary departments	84,431.85	32,620.90
Stores, deck, engine, commissary, and surgeon's departments	12,752.55	10,862.29
Stationery and printing	430.46	1,238.03
Telegrams and cables	1,463.54	1,604.10
Towage	1,535.30	1,383.00
Wages	116,968.22	94,658.55
Water	11,453.53	10,253.93
Washing	1,227.37	924.57
Other expenses	1,856.37	1,338.17
Total	576,391.96	421,952.82
Agency expenses:		
Advertising	2,885.15	1,895.70
Insurance	1,307.86	739.75
Labor	17,374.27	15,134.56
Office expenses	7,126.75	5,280.97
Repairs and rent of offices and wharves	55,315.73	53,781.77
Salaries of agents and clerks	29,546.51	30,931.65
Stationery and printing	1,486.61	1,058.81
Taxes	960.00	960.00
Other expenses	686.79	579.19
Totals	116,689.67	110,362.40

TABLE NO. 3.—Comparative statement of general expenses, New York, for the years ending December 31, 1899 and 1900.

	1900.	1899.
General expenses, New York:		
Advertising	\$1,659.64	\$1,483.46
General office expenses	9,765.18	8,254.79
Legal services and expenses	8,246.30	9,522.25
Salaries of general officers and clerks and directors' and committees' fees	73,784.66	71,140.27
Stationery and printing	1,381.20	1,314.05
Telegrams and cablegrams	2,199.83	1,430.81
Other expenses	3,141.81	1,477.25
Total	100,178.62	94,622.88

[Extracts from the fifty-second annual report of the Panama Railroad Company.]

NEW YORK, March 27, 1902.

To the stockholders of the Panama Railroad Company:

The past year was one of marked activity in the company's affairs. The report of the general manager, with the accompanying statement of earnings and expenses for the calendar year 1901, and the treasurer's balance sheet and transcript of profit and loss account, will furnish you detailed information upon the physical and financial aspects of the company's properties and business.

The capital stock issue of \$7,000,000 is unchanged.

The present outstanding bond issues are—

Sinking fund 6 per cent subsidy bonds:

Original issue of.....	\$3,000,000
(Being payment in advance until 1910 of the annual subsidy of \$225,000 to the Republic of Colombia.)	
Redeemed by annual sinking-fund drawings, including \$144,000 drawn in 1901.....	1,798,000
Outstanding at this date.....	1,202,000
Of those outstanding \$206,000 are owned by the company and held in its treasury.....	206,000
Leaving in the hands of the public.....	996,000

By the operation of the sinking-fund provision of this issue all of the bonds outstanding will be redeemed in 1908.

First mortgage 4½ per cent twenty-year gold bonds:

Authorized issue of.....	\$4,000,000
Issued to the public.....	\$2,504,000
Redeemed by annual sinking-fund drawings, including \$141,000 drawn in 1901.....	561,000
Held in the company's treasury.....	935,000
	4,000,000

Through the operation of the sinking fund this indebtedness will be reduced by 1917, the date of maturity of the mortgage, to \$1,199,000 and constitute the only mortgage lien upon the company's property.

Since the declaration of the previous dividend in January, 1893, in addition to the payment of \$250,000 annually to the Colombian Government and the redemption of \$561,000 of the company's 4½ per cent first-mortgage bonds out of gross earnings, the net earnings of the company amounted to \$2,072,359.42, or 29½ per cent upon the capital stock.

Of this sum your directors have applied to the development and permanent improvement of the company's property, in excess of the amount of the 2 per cent dividend paid in March last, \$1,755,509.01, in the purchase and betterment of its steamships and floating equipment, the construction of the La Boca pier, port, and terminal, the acquisition and restoration of dredging outfit, the installation of electric-light and ice plants, etc., and in general so improving the company's property that it is to-day in better physical condition than at any time in its history.

The port and terminal at La Boca having been completed and opened to commerce on January 1, 1901, its construction account was closed, showing a total cost of \$2,148,303.69, and that outlay capitalized into the company's 4½ per cent first-mortgage twenty-year gold bonds authorized for that purpose.

As contemplated by contracts between the companies, a lease has been effected, from the canal company, of the La Boca Branch Railroad and adjoining lands necessary for the operation of the terminal during the life of the railroad company's concession, or until 1966, upon mutually satisfactory terms. The use of dredges, clapnets, and materials necessary for the operation of the La Boca Terminal, belonging to the canal company, have also been secured under lease upon reasonable terms.

Owing to the severance of relations with the Pacific Mail Steamship Company the company put on a line of chartered vessels between Panama and San Francisco direct to maintain its coastwise traffic. Charters at the outset were difficult to obtain and very expensive, but later better conditions prevailed. The volume of coastwise traffic was materially increased during the year, but the very large outlay required to charter ships on both oceans to transport it was burdensome, and represented interest on a capital sum which, had it been applied by the company to the construction of new vessels, would have made the business highly remunerative.

The company's business was adversely affected by political disturbances on the Isthmus of so grave a character as to have occasioned the landing there by the United States Government, under its treaty obligations, of its armed forces to maintain free transit and to protect this company's property. To the discreet and energetic performance of this delicate duty by the naval officers to whom it was intrusted, in concert with the Colombian authorities, is to be attributed the fact that the company's property was not materially impaired. These facts, together with a prolonged labor strike in San Francisco and a materially reduced coffee output in Central America and Mexico during the season of 1900-1901, considerably affected net earnings, but these are extraordinary conditions not generally encountered.

During the year an important deviation of the railroad at Culebra, necessitated by canal construction, was completed and put in operation, but its entire cost was borne and paid by the canal company.

The condition of the company's property has been fully maintained and many improvements added, for the interesting particulars of which I refer you to the general manager's report.

There is now under consideration a further increase of the facilities of the La Boca pier, in order to more expeditiously handle the increasing tonnage.

The result of the company's operations during the last year, under what was referred to as the "open-door" policy, has not been as remunerative as desired, and the board of directors are considering changes in existing traffic arrangements and connections at Panama.

I refer you to the accompanying reports for more detailed particulars.

Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 18, 1902.

To the president of the Panama Railroad Company.

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1901, and of the condition of the company's property and finances at the close of the year.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1901.	1900.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$606,185.65	\$505,898.92	\$100,286.73	.....
Treasure	4,182.77	9,376.45	.....	\$5,193.68
Mails	52,254.08	45,653.70	6,600.38	.....
Extra baggage	9,695.40	8,546.59	1,148.81	.....
Passengers	39,236.81	38,614.86	621.95	.....
	711,554.71	608,090.52	103,464.19	.....
Panama to Colon—				
Freight	590,624.07	599,178.19	.....	8,554.12
Treasure	14,334.07	12,868.20	1,465.87	.....
Mails	4,780.47	5,116.47	.....	336.00
Extra baggage	7,460.37	7,890.79	.....	430.42
Passengers	36,417.87	37,852.07	.....	1,434.20
	653,616.85	662,905.72	.....	9,288.87
Total earnings of railroad	1,365,171.56	1,270,996.24	94,175.32	.....
Panama Railroad Steamship Line—				
Atlantic service—				
Freight	718,607.88	769,225.62	.....	50,617.74
Treasure	4,951.65	8,044.02	.....	3,092.37
Mails	79,015.83	60,618.30	18,397.53	.....
Extra baggage	2,186.69	2,047.63	139.06	.....
Passengers	154,571.58	128,234.78	26,336.80	.....
Miscellaneous	7,517.21	7,814.88	.....	297.67
	966,850.84	975,985.23	.....	9,134.39
Pacifie service—				
Freight	349,277.33	5,922.06	343,355.27	.....
Passengers	16,425.25	155.00	16,270.25	.....
Extra baggage	120.18	.....	120.18	.....
	365,822.76	6,077.06	359,745.70	.....
Joint railroad and steamship receipts	498,863.81	402,136.18	96,727.63	.....
Total earnings	3,196,708.97	2,655,194.71	541,514.26	.....

Statement of earnings and expenditures—Continued.

	1901.	1900.	Increase.	Decrease.
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus	\$40,378.20	\$40,216.25	\$161.95	.....
Conducting transportation	373,022.88	309,516.83	63,506.05	.....
Maintenance of equipment	116,519.83	116,518.87	.96	.....
Maintenance of way and structures	95,341.62	95,810.60	.....	\$468.98
	625,262.53	562,062.55	63,199.98	.....
Panama Railroad Steamship Line:				
Atlantic service—				
Steamer expenses	585,877.45	576,391.96	9,485.49	.....
Agency expenses	117,202.81	116,689.67	513.14	.....
Charter of steamers	164,929.38	140,634.79	24,294.59	.....
	868,009.64	833,716.42	34,293.22	.....
Pacific service—				
Steamer expenses	216,580.21	3,801.11	212,779.10	.....
Agency expenses	111,798.89	8.92	111,789.97	.....
Charter of steamers	279,659.33	6,650.00	273,009.33	.....
	608,038.43	10,460.03	597,578.40	.....
Joint railroad and steamship expenses	333,896.64	321,164.78	12,731.86	.....
Total operating expenses	2,435,207.24	1,727,403.78	707,803.46	.....
Earnings over operating expenses	761,501.73	927,790.93	.....	166,289.20
Appropriations for depreciation and special repairs of tugs:				
Depreciation of tugs	2,100.00	2,100.00	.....	.....
Replacement of boilers and special repairs of tugs	3,000.00	3,000.00	.....	.....
	5,100.00	5,100.00	.....	.....
Fixed charges:				
Subsidy to Republic of Colombia	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds	144,240.00	136,080.00	8,160.00	.....
Interest on subsidy bonds	80,760.00	88,920.00	.....	8,160.00
Interest on first-mortgage bonds	70,200.00	75,926.25	.....	5,726.25
Redemption of first-mortgage bonds	150,000.00	150,000.00	.....	.....
Interest on balance due La Boca wharf contractors	26,611.61	.....	26,611.61	.....
	496,811.61	475,926.25	20,885.36	.....
Total, appropriations and fixed charges ..	501,911.61	481,026.25	20,885.36	.....
Net income	259,590.12	446,764.68	.....	187,174.56

^a Includes wharfage at La Boca.

Gross revenue receipts, expenditures, and net earnings for 1901 compare, as under, with those of 1900:

	Earnings.	Operating ex- penses.	Earnings over operat- ing expenses.	Appropriations for de- preciations, etc.	Net earnings.
1901	\$3,196,708.97	\$2,435,207.24	\$761,501.73	\$5,100.00	\$756,401.73
1900	2,655,194.71	1,727,403.78	927,790.93	5,100.00	922,690.93
Increase in 1901	541,514.26	707,803.46	.....	.....	.....
Decrease in 1901 .....	.....	.....	166,289.20	.....	166,289.20
Increase in fixed charges, 1901 .....	.....	.....	.....	.....	20,885.36
Decrease in profit, 1901 .....	.....	.....	.....	.....	187,174.56

EARNINGS.

RAILROAD.

The total earnings of the railroad proper show an increase of \$94,175.32, or 7.41 per cent, in 1901 as compared with the previous year, the principal increase being in freight traffic west bound.

The largest increase in west-bound freight was on business to San Francisco, amounting to over 10,000 tons; freight to south Pacific ports increased 7,000 tons. East-bound freight shows a decrease of 14,000 tons although there was an increase of 12,000 tons in San Francisco freight.

There was an increase of 17.01 per cent in earnings on all west-bound traffic, and a decrease of 1.40 per cent on all east-bound traffic.

The following table shows the freight tonnage carried over the railroad in 1901 as compared with 1900:

[Ton of 2,000 pounds, or 40 cubic feet.]

	Year ending December 31, 1901.	Year ending December 31, 1900.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
West bound.....	195,743	153,758	27.31	.....
East bound.....	189,841	203,619	.....	6.77
Total.....	385,584	357,377	7.89	.....

The gross earnings per ton moved on the road compare as follows:

	Year ending December 31, 1901.	Year ending December 31, 1900.	Increase.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>
West bound.....	\$3.10	\$3.29	.....	5.78
East bound.....	3.11	2.94	5.78	.....
Average.....	3.10	3.09	.32	.....

Table No. 4, attached to this report, shows the origin and destination of the freight carried over the railroad.

Compared with 1900, the total tonnage carried over the road in 1901 shows an increase of 28,207 tons, or 7.89 per cent, and the earnings an increase of \$91,732.61, or 8.30 per cent. A comparison of 1900 with 1899 shows an increase in tonnage of 24.35 per cent, and in earnings of 15.83 per cent.

Of the total tonnage carried, 50.77 per cent was west bound and 49.23 per cent east bound. In 1900 these percentages were 43.02 per cent and 56.98 per cent, respectively.

The proportion of through traffic to the total tonnage handled was 81.70 per cent; in 1900 through freight amounted to 87.11 per cent. Of the through freight 55.12 per cent was New York business.

Earnings from mails amounted to \$57,034.55, an increase of \$6,264.38, or 12.34 per cent.

The following statement shows the number of passengers carried and the passenger earnings:

Classification.	Number of passengers carried.				Passenger earnings.			
	1901.	1900.	Increase.	Decrease.	1901.	1900.	Increase.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>			<i>Per cent.</i>	<i>Per cent.</i>
First class.....	4,587	5,590	.....	17.94	\$28,507.47	\$31,375.56	.....	9.14
Second class.....	84,574	77,642	8.93	.....	47,147.21	45,091.37	4.56	.....
Total.....	89,161	83,232	7.12	.....	75,654.68	76,466.93	.....	1.06

Average receipt per passenger.

Classification.	1901.	1900.	Increase.	Decrease.
First-class passengers:			<i>Per cent.</i>	<i>Per cent.</i>
Through	\$8.98	\$8.97	0.11	.....
Local	3.73	3.44	8.43	.....
Second-class passengers:				
Through	3.77	1.92	96.35	.....
Local .....	.47	.51	.....	7.84

First-class passengers decreased 1,003, or 17.94 per cent, in number and \$2,868.09, or 9.14 per cent, in earnings. Second-class passengers increased 6,932 in number, or 8.93 per cent, and \$2,055.84, or 4.56 per cent, in earnings. The increase of 96.35 per cent in the average receipt per second-class through passenger was due to the falling off in the movement of laborers from the West Indies to Guayaquil, carried at a low contract rate.

STEAMSHIP LINES.

The total earnings of the Atlantic Line from all sources was \$966,850.84, a decrease of \$9,134.39, or 0.94 per cent. Freight traffic shows a loss of \$50,617.74 in earnings, or 6.58 per cent, due to the large falling off in business from south Pacific ports. The decrease in freight receipts was nearly offset by an increase of \$18,397.53, or 30.35 per cent, in mail earnings, and an increase of \$26,336.80, or 20.54 per cent, in passenger earnings.

Of the total tonnage transported, 119,413 tons were carried by the company's steamers and 62,772 tons by chartered steamers.

The Pacific Line, inaugurated in December, 1900, was maintained during the year with the result as shown in the statement on page 8.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

The net result of the earnings of all the accounts grouped under this heading increased \$96,727.63 over 1900, or 24.05 per cent.

The following table will show the number of tons lightered in Panama Bay and handled on La Boca wharf during the year 1901 as compared with cargo lightered in 1900:

	1901.	1900.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise	216,144	188,936	14.40	.....
Lumber	409	255	60.39	.....
Coal	22,286	5,682	292.22	.....
Total	238,839	194,873	22.56	.....

EXPENDITURES.

The revenue expenditures of 1901 and 1900 compare as under:

	1901.	1900.	Increase.
Railroad	\$625,262.53	\$562,062.55	\$63,199.98
Steamship line:			
Atlantic service	868,009.64	833,716.42	34,293.22
Pacific service	608,038.43	10,460.03	597,578.40
Joint railroad and steamship expenses	333,896.64	321,164.78	12,731.86
Appropriations for depreciation and special repairs to tugs	5,100.00	5,100.00	.....
Total	2,440,307.24	1,732,503.78	707,803.46

This table shows an increase of \$707,803.46 in total revenue expenditures, while there was an increase of \$541,514.26 in total earnings.

RAILROAD.

CONDUCTING TRANSPORTATION.

The expenses of this department show an increase of \$63,506.05, or 20.52 per cent, as compared with 1900. The tonnage moved increased 28,207 tons, or 7.89 per cent.

The accounts show a considerable increase in the cost of labor, of fuel, and of supplies, when compared with last year. There has been no increase in the rate for labor, but owing to the troubles on the Isthmus labor was less efficient, and it was necessary to maintain a larger force of Fortune Islanders than before. Coal and other supplies have commanded higher prices everywhere.

MAINTENANCE OF EQUIPMENT.

The total charges to this department in 1901 were \$116,519.83, as against \$116,518.87 in 1900, although more tonnage was handled than in the latter year.

In addition to ordinary running repairs, three of the older locomotives, which had been laid by some years ago, have been completely repaired and restored to service. The repairs of cars have been extensive; 38 flat cars have been converted into coal cars by the addition of sides, and 102 coal cars have had their sides raised to increase their capacity; 4 flat cars were fitted with 20-ton trucks.

The car shop has received new tools, as follows:

A patent band-sawing machine, with a machine for filing it.

An Acme bolt cutter.

And a self-feeding rip saw.

MAINTENANCE OF WAY AND STRUCTURES.

The track, bridges, and buildings have been maintained at a high standard, the expenditures being \$95,341.62, a decrease of \$468.98, or 0.49 per cent, as compared with 1900.

There have been laid in main track 100 tons of new rails of 70 pounds per yard; the rails thus released have been used for the construction of much-needed sidings at Colon and Panama.

The repairs of masonry have been continued, the abutments and aprons of 10 bridges having had complete repairs, and 4 culverts were rebuilt.

At Frijoles a battery of hydraulic rams has been installed, dispensing with the steam engine and pumper, effecting a saving of \$500 or more per annum.

A new 6-inch water main from the reservoir at Mount Hope to the railroad, 1,500 feet in length, has been laid, nearly doubling the daily supply available at Colon.

The car shed in rear of the old passenger station at Colon has been converted into a storage warehouse for freight.

STEAMSHIP LINES.

The operating expenses of the line between New York and Colon were \$868,009.64, an increase of \$34,293.22, or 4.11 per cent.

On December 16, 1900, the company was compelled to assume the operating of a steamship line between Panama and San Francisco at an unfavorable time, owing to the scarcity of vessels and the extremely high cost of charters; this was later complicated with a long-continued strike at San Francisco. During the latter part of the year, after the defeat of the strikers and a reduction in the cost of charters, the line became self-sustaining, as would appear in the accounts, if allowed the proportions previously allotted to that traffic. The importance of this line is indicated by the amount of tonnage carried, which was 85,541 tons, an increase of 21,362 tons over the same route during the previous year; the total amounted to 49.26 per cent of the tonnage of the Atlantic Steamship Line, and formed 22.18 per cent of the total carried across the Isthmus.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

The combined expenditures under this head amounted to \$333,896.64, an increase of \$12,731.86, or 3.96 per cent.

The steamship *Bolivar* has been completely overhauled, receiving new boilers, pumps, etc., from New York.

Three steel launches, built at Chester, Pa., are now on the ways and nearly completed.

GENERAL REMARKS.

During the period from 1894 to 1901, inclusive, the percentage of total expenses to gross earnings was as follows:

	Per cent.
1894	69. 93
1895	61. 63
1896	53. 94
1897 (including taxes and appropriations for depreciation, etc.)	61. 12
1898 (including taxes and appropriations for depreciation, etc.)	64. 91
1899 (including taxes and appropriations for depreciation, etc.)	64. 66
1900 (including taxes and appropriations for depreciation, etc.)	65. 25
1901 { (including taxes and appropriations for depreciation, etc.)	64. 72
{ (or including Pacific Line not operated in 1900)	76. 34

It is gratifying to find that the volume of traffic has been more than maintained, showing an increase over last year of 28,207 tons, in spite of the embarrassments under which all operations were conducted, by reason of the political disturbances which occasionally interrupted traffic, caused alarm among laborers, added to the cost of insurance of freight, and deterred timid passengers from taking the Isthmus route, for fear of delay or injury.

The improvement in the condition of the company's plant upon the Isthmus, which was begun several years ago, has been continued during the year 1901.

It became necessary to supply an electric-light plant at Colon, to supplement the deficient supply afforded by the Colon Illuminating Company, which was put into use very successfully at the beginning of the year; in connection with this is an ice machine, made necessary by the frequent failures of the supply heretofore received from Panama, which promises to be self-supporting.

The improved condition of the track seemed to warrant an increase in the loads carried in the freight cars; therefore the maximum load has been increased from 10 to 12 tons. This was equivalent to the addition of 184 cars in the capacity of the rolling stock, and has been of much benefit to the service.

The steamships owned by the company have been maintained in complete repair; it is believed that none of its property has depreciated.

The shipways, for the repairs and construction of the floating equipment at Panama, having completely decayed, they were renewed at La Boca under a shed available there, in connection with a convenient shop and tools, leased from the new Panama Canal Company; and the tools and shop force formerly at Panama have been consolidated with those at La Boca. At this establishment a large amount of work has been done.

The dredges, clapnets, etc., leased from the Canal Company, for the maintenance of deep water at La Boca, have been very extensively repaired; the general overhauling of the steamer *Bolivar* has been completed; the three new launches, mentioned elsewhere, are now being set up. In addition, the repairs of the transports on the piers and repairs of foreign steamships were made at the new La Boca shops.

In Colon the ship berths at Pier No. 1 required dredging, to accommodate deeper laden coal ships. To effect this the plant was increased by the purchase of a new "Hayward orange-peel bucket," which will also be useful in the future.

Important improvements have been undertaken and partly completed upon Pier No. 2 at Colon, whereby an additional berth for the convenient handling of coal ships has been gained, and the long-distance trucking heretofore necessary there will be avoided, three tracks connecting with the main line having been laid down the whole length of the wharf.

An annex for the reception of any case of contagious disease has been added to the hospital at Colon.

The officers and employees have been devoted to the interests of the company. Upon the Isthmus they have had to encounter the dangers incident to a state of war, and have exhibited courage as well as good judgment in their dealings with the contending factions.

Respectfully,

CHARLES PAINE, *General Manager.*

TABLE A.—Balance sheet, December 31, 1901.

Cost of road, real estate, and equipment.....	}	\$11,941,186.66
New terminal at La Boca.....		
RESOURCES.		
Floating equipment:		
Steamers <i>Alliança</i> , <i>Finance</i> , and <i>Advance</i> , reduced value December 31, 1900.....	\$267,419.27	
Tugs and lighters, reduced value December 31, 1900.....	\$345,995.13	
Depreciation fund for tugs.....	2,100.00	
	343,895.13	611,314.40
Total.....		12,552,501.06
Bonds in treasury:		
206 6 per cent Panama Railroad Company sinking fund subsidy bonds.....	206,000.00	
897 4½ per cent twenty-year gold sinking fund bonds.....	898,037.50	
	1,104,037.50	
On deposit with financial agents for redemption of bonds:		
6 per cent subsidy bonds.....		31,000.00
Advance of subsidy to Republic of Colombia.....		1,202,000.00
Improvement and construction accounts.....		129,598.14
Current assets:		
Cash in banks and with agents.....	434,420.22	
Coal and supplies on hand.....	158,548.55	
Due from connecting companies.....	112,229.01	
Due from United States Government.....	26,671.87	
Due from companies and individuals.....	116,716.36	
Accrued interest on deposits.....	4,771.04	
Accrued interest on securities owned.....	2,307.50	
Unadjusted accounts, including purchase of leasehold Pier 57, N. R., until 1911.....	67,829.42	
Prepaid insurance and charter of steamers.....	20,864.28	
	944,358.25	15,963,494.95
LIABILITIES.		
Capital stock.....		\$7,000,000.00
4½ per cent, twenty-year sinking fund gold bonds (authorized issue, \$4,000,000):		
Issued to date (2,962 bonds, less 420 bonds previously redeemed).....	\$2,542,000.00	
Drawn for redemption in 1901.....	141,000.00	
	2,401,000.00	
Total capital stock and mortgage liabilities.....		9,401,000.00
Six per cent gold sinking fund subsidy bonds <i>a</i>		1,202,000.00
Due contractors, new terminal at La Boca <i>b</i>		929,812.15
Bonds drawn for redemption not presented for payment:		
6 per cent subsidy bonds.....		32,000.00
Accrued interest on bonds:		
4½ per cent twenty-year gold bonds (1,526 bonds).....	17,167.50	
6 per cent subsidy bonds.....	12,020.00	
	29,187.50	
Funds for redemption of bonds:		
4½ per cent twenty-year gold bonds.....	62,248.11	
6 per cent subsidy bonds.....	72,915.00	
	135,163.11	
Due Republic of Colombia:		
Department of Panama.....		21,875.00
Fund for replacement of boilers and special repairs to tugs.....		15,000.00
Current liabilities:		
Isthmus drafts not presented.....	26,987.43	
Coupons not presented.....	5,642.50	
Audited vouchers.....	52,157.99	
Unclaimed dividends.....	111.00	
Due deceased or missing employees.....	2,213.27	
	87,112.19	
Balance to credit of profit and loss.....		4,110,345.00
Total.....		15,963,494.95

*b*Of this amount \$871,000 will become due in 1905, and is secured by an equivalent amount of the company's new 4½ per cent bonds as collateral. The total may be reduced in the meantime at the option of the company by payments on account.

*a*1,202 6 per cent gold sinking fund subsidy bonds of \$1,000 each, amounting to \$1,202,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company: First to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

S. DEMING, *Treasurer*.

TABLE B.—*Profit and loss account, December 31, 1901.*

DEBIT.	
To one hundred and thirteenth dividend.....	\$140,000.00
Operating expenses.....	2,435,207.24
Appropriations for depreciation and special repairs of tugs.....	5,100.00
Fixed charges.....	496,811.61
Supplies of no value written off.....	775.45
Uncollectible accounts written off.....	18,438.78
Balance, assets over liabilities, December 31, 1901.....	4,110,345.00
	7,206,678.08
CREDIT.	
By balance, December 31, 1900.....	3,867,831.69
Gross earnings.....	3,196,708.97
½ per cent twenty-year sinking fund gold bonds, redeemed.....	141,000.00
Accounts of previous years settled.....	1,157.42
Total.....	7,206,678.08

TABLE No. 1.—*Comparative statement of operating expenses of railroad for the years ending December 31, 1900 and 1901.*

	1901.	1900.
General expenses on the Isthmus:		
Advertising.....	\$8.21	\$15.12
Cablegrams.....	415.33	174.45
Hospital service.....	7,576.73	7,997.57
Legal expenses.....	2,485.74	2,574.93
Salaries of officers.....	11,442.40	11,673.07
Salaries of clerks and attendants.....	12,516.09	12,725.58
Office expenses, stationery and printing.....	2,408.12	2,370.98
Other expenses.....	3,525.58	2,684.55
Total.....	40,378.20	40,216.25
Conducing transportation:		
Advertising.....	1,288.04	1,256.72
Clearing wrecks.....	138.00	72.46
Engineers and firemen.....	29,176.58	23,446.97
Fuel for locomotives.....	44,345.99	32,382.58
Injuries to persons.....	749.08	5,512.70
Labor, Colon and Panama stations.....	126,354.26	101,502.33
Oil, tallow, waste, and other supplies for locomotives.....	2,779.02	1,637.78
Roundhouse men.....	8,211.39	6,385.52
Superintendence and clerks.....	4,352.13	3,872.24
Switchmen, yardmen, and yard watchmen.....	33,257.21	27,883.17
Station agents and clerks.....	65,695.42	60,696.99
Station supplies and expenses.....	17,146.25	12,402.50
Stationery and printing.....	3,706.24	2,564.53
Train conductors, baggagemen, flagmen, and brakemen.....	18,295.34	14,371.82
Train supplies and expenses.....	3,310.25	2,717.57
Telegraph expenses.....	8,726.72	8,228.96
Water supply for locomotives.....	3,529.13	3,230.02
Other expenses.....	1,961.83	1,351.97
Total.....	373,022.88	309,516.83
Maintenance of equipment:		
Repairs of freight cars.....	60,266.15	51,307.00
Repairs of locomotives.....	24,216.16	30,968.38
Repairs of passenger cars.....	9,496.36	7,459.23
Repairs and renewals of shop machinery and tools.....	10,097.15	15,648.60
Superintendence and clerks.....	12,230.32	10,882.82
Stationery and printing.....	213.69	234.84
Total.....	116,519.83	116,518.87
Maintenance of way and structures:		
Repairs of bridges and culverts.....	12,493.24	23,852.66
Repairs and renewal of general offices.....	1,300.36	2,124.76
Repairs of road machinery and tools.....	2,317.79	2,208.68
Repairs of roadway and track.....	19,920.74	23,607.76
Renewals of switches and frogs.....	1,140.31	987.41
Renewals of spikes and rail fastenings.....	3,078.69	4,608.06
Repairs and renewal of station buildings.....	22,139.03	3,178.54
Repairs of shop buildings, water and fuel stations.....	14,028.64	5,200.99
Repair of section houses, tool houses, etc.....	656.22	231.11
Renewal of ties.....	2,971.13	13,758.36
Repairs of telegraph.....	2,423.26	1,691.23
Removal of weeds, brush, grass, etc.....	3,934.01	6,732.29
Superintendence and clerks.....	8,307.27	7,394.20
Stationery and printing.....	261.13	204.86
Other expenses.....	369.80	29.69
Total.....	95,341.62	95,810.60

TABLE No. 2.—Comparative statement of expenses of steamship line—Atlantic service—for years ending December 31, 1900 and 1901.

	1901.	1900.
Steamer expenses:		
Port charges.....	\$23,569.11	\$20,353.72
	1901.	1900.
Custom-house entrance, clearance and consular fees, etc.....	\$15,279.23	\$12,753.83
Pilotage.....	7,351.88	6,620.89
Quarantine.....	938.00	979.00
Docking.....	1,163.68	3,426.29
Equipment, deck, engine, and commissary departments.....	10,628.16	10,889.11
Fuel.....	111,450.11	89,512.67
Feeding passengers and crew.....	62,894.06	55,279.69
Insurance.....	22,760.53	22,728.10
Labor on cargo.....	121,278.24	121,072.38
Labor on coal.....	14,336.98	12,196.91
Labor on ashes.....	1,435.00	1,291.00
Loss and damage.....	6,038.14	3,184.06
Oil and waste.....	2,167.42	1,523.80
Painting ships' bottom.....	1,403.00	2,815.04
Repairs, deck, engine, and commissary departments.....	44,708.34	84,431.85
Stores, deck, engine, commissary, and surgeon's departments.....	12,462.84	12,752.55
Stationery and printing.....	875.98	430.46
Telegrams and cables.....	1,205.78	1,463.54
Towage.....	1,484.80	1,535.30
Wages.....	130,331.36	116,968.22
Water.....	12,578.43	11,453.53
Washing.....	1,772.11	1,227.37
Other expenses.....	1,333.38	1,856.37
Total.....	585,877.45	576,391.96
Agency expenses:		
Advertising.....	2,669.30	2,885.15
Insurance.....	1,759.21	1,307.86
Labor.....	16,645.71	17,374.27
Office expenses.....	5,962.49	7,126.75
Repairs and rent of offices and wharves.....	57,388.51	55,315.73
Salaries of agents and clerks.....	29,298.42	29,546.51
Stationery and printing.....	1,443.80	1,486.61
Taxes.....	1,000.03	960.00
Other expenses.....	1,035.34	686.79
Total.....	117,202.81	116,689.67

TABLE No. 3.—Comparative statement of general expenses, New York, for the years ending December 31, 1900 and 1901.

	1901.	1900.
General expenses, New York:		
Advertising.....	\$1,728.59	\$1,659.64
General office expenses.....	6,615.74	9,765.18
Legal services and expenses.....	9,149.82	8,246.30
Salaries of general officers and clerks and directors' and committees' fees.....	70,271.60	73,784.66
Stationery and printing.....	1,181.23	1,381.20
Telegrams and cablegrams.....	1,620.07	2,199.83
Other expenses.....	1,074.93	3,141.81
Total.....	91,641.98	100,178.62

[Extract from the fifty-third annual report of the Panama Railroad Company.]

NEW YORK, March 26, 1903.

To the stockholders of the Panama Railroad Company.

For the eighth time I respectfully present for your consideration the annual report of the board of directors.

I call your attention to the report of the general manager, with the accompanying statement of earnings and expenses for the calendar year 1902, and the treasurer's balance sheet and transcript of profit and loss account, which will furnish you

detailed information upon the physical and financial aspects of the company's properties and business.

Capital stock issue (unchanged).....	\$7, 000, 000. 00
The present outstanding bond issues, are—	
Sinking-fund 6 per cent subsidy bonds:	
Original issue of (being payment in advance of the annual subsidy of \$225,000 to the Republic of Colombia).....	\$3, 000, 000. 00
Redeemed by annual sinking-fund drawings, including \$153, 000 drawn in 1902.....	1, 951, 000. 00
Outstanding at this date.....	1, 049, 000. 00
Of those outstanding \$180, 000 are owned by the company and held in its treasury.....	180, 000. 00
Leaving in the hands of the public.....	869, 000. 00
By the operation of the sinking-fund provision of this issue, all of the bonds outstanding will be redeemed in 1908.	
First-mortgage 4½ per cent 20-year gold bonds.	
Authorized issue of.....	\$4, 000, 000. 00
Held by the public.....	\$2, 364, 000. 00
Redeemed by annual sinking-fund drawings, including \$140, 000 drawn in 1902.....	701, 000. 00
Held in the company's treasury.....	935, 000. 00
	4, 000, 000. 00

Through the operation of the sinking fund this indebtedness will be reduced by 1917, the date of maturity of the mortgage, to \$1, 199, 000. It is the only mortgage lien upon the company's property.

During 1902, in addition to the payment out of the year's gross earnings of the \$250, 000, annually due the Colombian Government, and the redemption, with interest, of \$140, 000 of the company's 4½ per cent first-mortgage bonds, \$124, 802.84 was expended out of accumulated earnings for carrying on new construction and improvements to the company's property ashore and afloat at the Isthmus, begun in 1901. That sum has been distributed partly to capital accounts and partly to operating expenses of the years 1902–1906, according to its character and as already authorized.

Out of net earnings of the year 1901, a dividend of 2 per cent was declared and paid to the stockholders in June last, and a like dividend of 2 per cent was declared and paid in September last, out of the current net earnings of 1902.

The port and terminal at La Boca, which was completed and opened to commerce on January 1, 1901, has fully justified the expectations of the management. The total cost of this great work was \$2, 161, 552.39, all of which has been paid, so that the company has no outstanding indebtedness in this regard.

The facilities of the pier at La Boca have been increased by the addition of four large electric transporters with auxiliary operating plant, as shown by the general manager's report herewith; required depths in the basins adjoining the pier and in the maritime channel approach to it have been maintained at large cost, but results obtained in operating the terminal have fully warranted the outlay.

The La Boca port and terminal, which connects by a branch road with the main line, is open to commerce, and ships of large capacity now load and discharge directly at this dock. In addition to the facilities of the La Boca port the business of the company has required the maintenance, also, of its terminal facilities in the city of Panama.

The company's operations on the Isthmus were seriously hampered by revolutionary disturbances, which continued there during the year and caused the company large expense for the gratuitous transportation of Government troops and material under its concessionary contract with the United States of Colombia. Numerous new taxes and imposts which restricted traffic were levied by that Government that were later in part discontinued.

The company's relations with the Colombian Government officials, both national and State, continue friendly, all differences that arose during war operations having been satisfactorily adjusted.

New contracts were entered into with the Pacific Mail Steamship Company to cover traffic on the Pacific coast north of Panama, and with the Pacific Steam Navigation Company and the Cia Sud Americana de Vapores to cover traffic on that coast south of Panama, which resulted in the discontinuance in June, 1902, of this company's steamship service on the Pacific between Panama and San Francisco, that had not proved as remunerative as desired; under the new contract with the Pacific Mail

Steamship Company weekly departures from Panama and San Francisco have been inaugurated.

The company's traffic connections on the Atlantic side with the Hamburg-American Line, Compagnie Generale Transatlantique, Royal Mail Steam Packet Company, Leyland Line (West India and Pacific branch), Harrison Line and Compañia Transatlantica de Barcelona, which connect the Isthmus with the leading ports of Europe, continue satisfactorily, as they have done without interruption for more than a quarter of a century.

The company's steamship line from New York, which connects with the railroad at Colon, continues a remunerative branch of the service.

The result of the company's operations was materially affected by a constant advance in cost of fuel, materials, and labor.

The condition of the company's property has been fully maintained and many improvements added, for the interesting account of which I refer you to the general manager's report.

I again refer you to the other accompanying reports for more detailed particulars.
Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 18, 1903.

To the President of the Panama Railroad Company.

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1902, and of the condition of the company's property.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1902.	1901.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$559,392.30	\$606,185.65	.....	\$46,793.35
Treasure	7,223.08	4,182.77	\$3,040.31	.....
Mails	19,402.46	52,254.08	.....	2,851.62
Extra baggage	8,816.26	9,695.40	.....	879.14
Passengers	31,735.21	39,236.81	.....	7,501.60
	656,569.31	711,554.71	.....	54,985.40
Panama to Colon—				
Freight	522,667.88	590,624.07	.....	67,956.19
Treasure	16,035.16	14,334.07	1,701.09	.....
Mails	4,818.45	4,780.47	37.98	.....
Extra baggage	7,142.35	7,460.37	.....	318.02
Passengers	32,112.16	36,417.87	.....	4,305.71
	582,776.00	653,616.85	.....	70,840.85
Total earnings of railroad	1,239,345.31	1,365,171.56	.....	125,826.25
Panama railroad steamship line—				
Atlantic service—				
Freight	652,966.87	718,607.88	.....	65,641.01
Treasure	5,556.51	4,951.65	604.86	.....
Mails	83,013.99	79,015.83	3,998.16	.....
Extra baggage	1,945.07	2,186.69	.....	241.62
Passengers	150,824.81	154,571.58	.....	3,746.77
Miscellaneous	4,008.88	7,517.21	.....	3,508.33
	898,316.13	966,850.84	.....	68,534.71
Pacific service—				
Freight	161,051.32	349,277.33	.....	188,226.01
Passengers	6,029.00	16,425.25	.....	10,396.25
Extra baggage	37.91	120.18	.....	82.27
	167,118.23	365,822.76	.....	198,704.53
Joint railroad and steamship receipts	458,035.96	498,863.81	.....	40,827.85
Total earnings	2,762,815.63	3,196,708.97	.....	433,893.34

Statement of earnings and expenditures—Continued.

	1902.	1901.	Increase.	Decrease.
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus.....	\$42,838.36	\$40,378.20	\$2,460.16	
Conducting transportation.....	342,321.45	373,022.88		\$30,701.43
Maintenance of equipment.....	118,080.25	116,519.83	1,560.42	
Maintenance of way and structures.....	91,469.93	95,341.62		3,871.69
	594,709.99	625,262.53		30,552.54
Panama Railroad Steamship Line:				
Atlantic service—				
Steamer expenses.....	552,276.86	585,877.45		33,600.59
Agency expenses.....	117,137.92	117,202.81		64.89
Charter of steamers.....	120,570.19	164,929.38		44,359.19
	789,984.97	868,009.64		78,024.67
Pacific service—				
Steamer expenses.....	91,444.93	216,580.21		125,135.28
Agency expenses ^a	54,019.67	111,798.89		57,779.22
Charter of steamers.....	106,862.50	279,659.33		172,796.83
	252,327.10	608,038.43		355,711.33
Joint railroad and steamship expenses.....	319,093.71	333,896.64		14,802.93
Total operating expenses.....	1,956,115.77	2,435,207.24		479,091.47
Earnings over operating expenses.....	806,699.86	761,501.73	45,198.13	
Appropriations for depreciation and special repairs of tugs:				
Depreciation of tugs.....	2,100.00	2,100.00		
Replacement of boilers and special repairs of tugs.....	3,900.00	3,000.00	900.00	
	6,000.00	5,100.00	900.00	
Fixed charges:				
Subsidy to the Republic of Colombia.....	25,000.00	25,000.00		
Redemption of subsidy bonds.....	152,880.00	144,240.00	8,640.00	
Interest on subsidy bonds.....	72,120.00	80,760.00		8,640.00
Interest on first mortgage bonds.....	99,882.50	70,200.00	29,682.50	
Redemption of first mortgage bonds.....	150,000.00	150,000.00		
Interest on balance due La Boca wharf contractors.....	5,432.96	26,611.61		21,178.65
	505,315.46	496,811.61	8,503.85	
Total appropriations and fixed charges.....	511,315.46	501,911.61	9,403.85	
Net income.....	295,384.40	259,590.12	35,794.28	

^a Includes wharfage at La Boca.

Gross revenue receipts, expenditures, and net earnings for 1902, compare, as under, with those of 1901:

	Earnings.	Operating ex- penses.	Earnings over operat- ing expenses.	Appropriations for de- preciations, etc.	Net earn- ings.
1902.....	\$2,762,815.63	\$1,956,115.77	\$806,699.86	\$6,000.00	\$800,699.86
1901.....	3,196,708.97	2,435,207.24	761,501.73	5,100.00	756,401.73
Increase in 1902.....			45,198.13	900.00	44,298.13
Decrease in 1902.....	433,893.34	479,091.47			
Increase in fixed charges, 1902.....					8,503.85
Increase in profit, 1902.....					35,794.28

EARNINGS.

RAILROAD.

The total earnings of the railroad proper, for 1902, show a decrease of \$125,826.25, or 9.22 per cent, as compared with the earnings for 1901. There was a falling off in all kinds of traffic excepting treasure, which shows an increase of \$4,741.40, or 25.61 per cent.

Freight traffic, eastbound, decreased almost 18,000 tons from South Pacific ports, and over 11,000 tons from San Francisco, while the decrease in westbound freight to San Francisco was 11,000 tons, and to South Pacific ports 6,000 tons.

Traffic to and from Panama, Central America, and Mexico increased slightly over last year.

The following table shows the freight tonnage carried over the railroad in 1902, as compared with 1901:

[Ton of 2,000 pounds, or 40 cubic feet.]

	Year ending December 31, 1902.	Year ending December 31, 1901.	Increase.	Decrease.
Westbound	180,267	195,743	<i>Per cent.</i>	<i>Per cent.</i>
Eastbound	166,422	189,841	.....	7.91
Total.....	346,689	385,584	.....	12.34
				10.09

The gross earnings per ton moved on the road compare as follows:

	Year ending December 31, 1902.	Year ending December 31, 1901.	Increase.	Decrease.
Westbound	\$3.11	\$3.10	<i>Per cent.</i>	<i>Per cent.</i>
Eastbound	3.14	3.11	0.32	.....
Average	3.13	3.10	.96	.....
			.97	.....

Table No. 5, accompanying this report, shows the origin and destination of the freight carried over the railroad.

Compared with 1901, the total tonnage transported over the railroad in 1902 shows a decrease of 38,895 tons, or 10.09 per cent, and the earnings a decrease of \$114,749.54, or 9.59 per cent.

Of the total tonnage carried, 52 per cent was westbound and 48 per cent eastbound. In 1901 these percentages were 50.77 per cent and 49.23 per cent, respectively.

The proportion of through traffic to the total tonnage handled was 78.61 per cent; in 1901 through freight amounted to 81.70 per cent.

Coal comprised 60.21 per cent of the local traffic westbound.

The following statements show the number of passengers carried and the passenger earnings:

Classification.	Number of passengers carried.			Passenger earnings.		
	1902	1901.	Decrease.	1902.	1901.	Decrease.
First-class.....	3,862	4,587	<i>Per cent.</i>	\$25,631.78	\$28,507.47	<i>Per cent.</i>
Second-class	76,946	84,574	15.81	38,215.59	47,147.21	10.09
Total.....	80,808	89,161	9.02	63,847.37	75,654.68	18.94
			9.37			15.61

Average receipts per passenger.

Classification.	1902.	1901.	Increase.	Decrease
First-class:			<i>Per cent.</i>	<i>Per cent.</i>
Through	\$8.97	\$8.98	.....	0.11
Local	3.58	3.73	.....	4.02
Second-class:				
Through	3.96	3.77	5.04	.....
Local .....	.42	.47	.....	10.64

The total passenger earnings are \$63,847.37, or 15.61 per cent less than in 1901. First-class passengers decreased 725, or 15.81 per cent, in number and \$2,875.69, or 10.09 per cent, in earnings. Second-class passengers decreased 7,628, or 9.02 per cent, in number and \$8,931.62, or 18.94 per cent, in earnings.

STEAMSHIP LINES.

The total earnings of the Atlantic Line from all sources amounted to \$898,316.13, a decrease of \$68,534.71, or 7.09 per cent, the loss being almost entirely due to the large falling off in tonnage to and from South Pacific ports and San Francisco.

Of the total tonnage transported, 104,062 tons were carried by the Company's steamers and 54,340 tons by chartered steamers.

The Pacific Line was in operation only about six months, the last steamer sailing from San Francisco on June 12, and from Panama, July 5, which accounts for the large decrease in its earnings of \$198,704.53, or 54.32 per cent.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

The net result of all the accounts grouped together under this heading shows a decrease in earnings of \$40,827.85, or 8.18 per cent.

The following table will show the number of tons lightered in Panama Bay and handled on La Boca wharf during the year 1902 as compared with 1901:

	1902.	1901.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>
Merchandise	209,086	216,144	3.27
Lumber	38	409	90.71
Coal	20,980	22,286	5.86
	230,104	238,839	3.66

EXPENDITURES.

The revenue expenditures of 1902 and 1901 compare as under:

	1902.	1901.	Increase.	Decrease.
Railroad	\$594,709.99	\$625,262.53	.....	\$30,552.54
Steamship line:				
Atlantic service	789,984.97	868,009.64	.....	78,024.67
Pacific service	252,327.10	608,038.43	.....	355,711.33
Joint railroad and steamship expenses	319,093.71	333,896.64	.....	14,802.93
Appropriations for depreciation and special repairs to tugs	6,000.00	5,100.00	\$900.00	.....
Total	1,962,115.77	2,440,307.24	.....	478,191.47

This table shows a decrease of \$478,191.47 in total revenue expenditures, while there was a decrease of \$433,893.34 in total earnings.

RAILROAD.

CONDUCTING TRANSPORTATION.

The expenses of this department show a decrease of \$30,701.43, or 8.23 per cent, as compared with 1901. The tonnage moved decreased 38,895 tons, or 10.09 per cent.

An important expense was incurred by the free transportation of marines and sailors of the United States engaged in maintaining the security of the transit upon the Isthmus.

From February 1 to December 31, 1902, there were also transported without charge 56,384 soldiers for the Colombian Government, and during the year 15,525 Government officials and employees on passes.

MAINTENANCE OF EQUIPMENT.

The total charge under this heading amounted to \$118,080.25 during the year, an increase of \$1,560.42, or 1.34 per cent, as compared with 1901.

The running repairs upon the whole of the equipment have been promptly executed as required; in addition, 4 switch engines received thorough overhauling, engine No. 9 having a new boiler.

Four road engines which had been out of service for many years were repaired thoroughly and put into use.

Eleven cars in the passenger service underwent general repairs.

Forty-one box cars, 31 coal cars, and 65 flat cars received general repairs, and 19 coal cars had the sides raised to increase their capacity. New cars were built to replace all the missing numbers referred to in the annual report for 1900.

MAINTENANCE OF WAY AND STRUCTURES.

The track bridges and buildings have been well maintained, the expenditures being \$91,469.93, a decrease of \$3,871.69, or 4.06 per cent.

Two hundred tons of new steel rails of 70 pounds per yard have been laid in the main track; such of the rails removed as were suitable have been used to extend the sidings in Colon and Panama yards.

Repairs of masonry include a new facing, upon a pile foundation, of the south abutment of bridge No. 48; an apron at bridge No. 42, of 4,000 square feet area; two pipe culverts replacing destroyed stone culverts, and many small improvements at other bridges.

The track between Panama and Pedro Miguel, which is used as a highway for pack animals, has been strengthened by widening the roadbed with stone where it had been trampled away—over a distance of about seven miles.

One thousand five hundred feet of drain tiles have been laid in cuttings.

Important repairs to the docks at Colon were found necessary, and have been completed in a substantial manner; the changes upon pier No. 2, begun last year, were finished.

The beach road at Colon, in front of the company's dwellings and shops, has been protected with stone.

In order to facilitate the handling of large quantities of coal, the lagoon adjacent to the piers No. 1 and No. 2 at Colon has been filled, ready for use as coal-storage yard.

The water station at Pedro Miguel has been improved by the erection of a 20,000-gallon tank, with suitable arrangements for a rapid supply to the water cars, by which Panama and La Boca are furnished during the dry season.

STEAMSHIP LINES.

The operating expenses of the line between New York and Colon were \$789,984.97, a decrease \$78,024.67, or 8.99 per cent, as compared with the previous year. Owing to the large decrease in tonnage from San Francisco and South Pacific ports, only three extra cargo ships were required to handle the freight moving to New York, which accounts for the decrease of \$44,359.19 in charter of steamers. In 1901 there were two round trips and seven trips, Colon to New York, of extra cargo ships.

On October 24, 1902, the steamship *Advance* was laid off for repairs, her place being filled by a chartered vessel.

Although the Pacific line was discontinued in July, the expenses of the San Francisco agency have been continued as a charge to that line until the end of the year, while the charges to steamer expenses after July, as shown in Table No. 13, are principally for loss and damage to freight.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

The combined expenditures under this head, which include general expenses, foreign-agency expenses, lighterage, docks and wharves, real estate, etc., amounted to \$319,093.71, a decrease of \$14,802.93, or 4.43 per cent.

Four of the oldest launches have been condemned; the three new ones purchased last year have been completed and are in use.

GENERAL REMARKS.

During the period from 1894 to 1902, inclusive, the percentage of total expenses to gross earnings was as follows:

	Per cent.
1894	69.93
1895	61.63
1896	53.94
1897 (including taxes and appropriations for depreciation, etc.)	61.12
1898 (including taxes and appropriations for depreciation, etc.)	64.91
1899 (including taxes and appropriations for depreciation, etc.)	64.66
1900 (including taxes and appropriations for depreciation, etc.)	65.25
1901 { (including taxes and appropriations for depreciation, etc.)	64.72
{ (or including Pacific line not operated in 1900)	76.34
1902 { (including taxes and appropriations for depreciation, etc.)	65.87
{ (or including Pacific line operated for six months)	71.02

At the request of the Government this company assumed the lighting of the city of Colon for the Colon Illuminating Company, receiving due compensation. The electric-light plant and the ice plant, which are operated together, have become self-sustaining and contribute much to the comfort and health of the company's employees. The general illumination has added to the security of the property.

Dredging of the La Boca basin and in the maritime channel has been continuous; the use of the new wharf has been constant and without interruption, to the great benefit of the cargoes exchanged.

Four electrical cranes and an electric plant for operating them are in course of erection, to supplement the steam cranes on the La Boca pier, at which the tonnage handled increased by 56 per cent over last year; practically superseding the use of lighters, except for coal and storage.

The land department has continued to increase its revenue, notwithstanding the continuance of political disturbances and the temporary suspension of the administration of justice.

Telephone instruments have been provided for the trains, enabling the conductors to have communication with the terminal officers at any point on the railway.

The officers and employees have served the company faithfully. Upon the Isthmus they have again had to deal with contending factions; by their courageous and judicious conduct they maintained the transit without serious interruption and contributed in no small measure to the reestablishment of peace.

Respectfully,

CHARLES PAINE, *General Manager.*

TABLE A.—*Balance sheet, December 31, 1902.*

RESOURCES.

Cost of road, real estate, and equipment		} \$11,986,452.88
New terminal at La Boca		
Floating equipment—		
Steamers <i>Allianza</i> , <i>Finance</i> , and <i>Advance</i> , reduced value December 31, 1901	\$267,419.27	
Tugs and lighters, reduced value December 31, 1901	\$343,895.13	
Cost of 3 new coal lighters	36,342.40	
	380,237.53	
Depreciation fund for tugs and cost of 4 lighters condemned and out of service	62,100.00	
	318,137.53	585,556.80
Total		12,572,009.68
Bonds in treasury:		
180 6 per cent Panama Railroad Company sinking-fund subsidy bonds	180,000.00	
935 4½ per cent twenty-year gold sinking-fund bonds	936,037.50	
	1,116,037.50	

On deposit with financial agents for redemption of bonds:		
6 per cent subsidy bonds.....		32,000.00
Advance of subsidy to Republic of Colombia.....		1,049,000.00
Improvement and construction accounts.....		114,456.98
Fund for replacement of boilers and special repairs to tugs.....		22,544.88
Current assets:		
Cash in banks and with agents.....	471,525.50	
Coal and supplies on hand.....	187,682.74	
Due from connecting companies.....	123,949.27	
Due from United States Government.....	21,025.15	
Due from Republic of Colombia.....	21,367.21	
Due from companies and individuals.....	55,279.95	
Accrued interest on deposits.....	6,677.06	
Accrued interest on securities owned.....	2,047.50	
Unadjusted accounts, including purchase of leasehold pier 57, N. R., until 1911.....	79,515.71	
Prepaid insurance and charter of steamers.....	19,506.27	
		988,576.36
		15,894,625.40
LIABILITIES.		
Capital stock.....		\$7,000,000.00
4½ per cent twenty-year sinking fund gold bonds (authorized issue, \$4,000,000):		
Issued to date (4,000 bonds, less 561 bonds previously redeemed).....	\$3,439,000.00	
Drawn for redemption in 1902.....	140,000.00	
		3,299,000.00
Total capital stock and mortgage liabilities.....		10,299,000.00
6 per cent gold sinking fund subsidy bonds ^a		1,049,000.00
Bonds drawn for redemption not presented for payment:		
6 per cent subsidy bonds.....		32,000.00
Accrued interest on bonds:		
4½ per cent twenty-year gold bonds (2,386 bonds).....	\$26,842.50	
6 per cent subsidy bonds.....	10,490.00	
		37,332.50
Funds for redemption of bonds:		
4½ per cent twenty-year gold bonds.....	63,300.85	
6 per cent subsidy bonds.....	74,325.00	
		137,625.85
Due Republic of Colombia:		
Department of Panama.....		21,875.00
Allowance to cover excess interest over contract rate on 4½ per cent bonds sold to prepay indebtedness due contractors new terminal at La Boca on October 15, 1905.....		39,386.44
Current liabilities:		
Isthmus drafts not presented.....	\$13,591.11	
Coupons not presented.....	7,247.50	
Audited vouchers.....	53,632.21	
Unclaimed dividends.....	117.00	
Due deceased or missing employees.....	2,230.70	
		76,818.52
Balance to credit of profit and loss.....		4,201,587.09
		15,894,625.40

S. DEMING, *Treasurer.*

TABLE B.—*Profit and loss account, December 31, 1902.*

DEBIT.	
To one hundred and fourteenth dividend.....	\$140,000.00
One hundred and fifteenth dividend.....	140,000.00
Operating expenses.....	1,956,115.77
Appropriations for depreciation and special repairs of tugs.....	6,000.00
Fixed charges.....	505,315.46
Cost of 4 lighters condemned and out of service.....	60,000.00
Adjustment of accounts of previous years.....	5,599.48
Uncollectible accounts, etc., written off.....	120.17
Balance, assets over liabilities, December 31, 1902.....	4,201,587.09
	7,014,737.97
CREDIT.	
By balance, December 31, 1901.....	4,110,345.00
Gross earnings.....	2,762,815.63
4½ per cent twenty-year sinking fund gold bonds, redeemed.....	140,000.00
Accounts of previous years settled.....	1,577.34
	7,014,737.97

^a1,049 six per cent gold sinking-fund subsidy bonds of \$1,000 each, amounting to \$1,049,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company: First, to the payment of the interest, and second, as a cumulative sinking fund for the redemption of the principal, the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1 after each drawing, and thereby redeeming the whole issue in 1908.

TABLE NO. 1.—Comparative statement of operating expenses of railroad for the years ending December 31, 1901 and 1902.

	1902.	1901.
General expenses on the Isthmus:		
Advertising	\$7.58	\$8.21
Cablegrams	380.36	415.33
Hospital service	8,505.95	7,576.73
Legal expenses	3,454.46	2,485.74
Salaries of officers	11,094.88	11,442.40
Salaries of clerks and attendants	12,636.90	12,516.09
Office expenses, stationery and printing	2,348.92	2,408.12
Other expenses	4,409.31	3,525.58
Total	42,838.36	40,378.20
Conducting transportation:		
Advertising	1,269.93	1,288.04
Clearing wrecks	343.02	138.00
Engineers and firemen	29,784.11	29,176.58
Fuel for locomotives	39,709.77	44,345.99
Injuries to persons	461.82	749.08
Labor—Colon and Panama stations	103,914.03	126,354.26
Oil, tallow, waste, and other supplies for locomotives	2,195.09	2,779.02
Roundhouse men	7,562.38	8,211.39
Superintendence and clerks	4,330.15	4,352.13
Switchmen, yardmen, and yard watchmen	40,922.78	33,257.21
Station agents and clerks	61,927.39	65,695.42
Station supplies and expenses	10,577.61	17,146.25
Stationery and printing	3,235.90	3,706.24
Train conductors, baggagemen, flagmen, and brakemen	17,848.07	18,295.34
Train supplies and expenses	3,536.08	3,310.25
Telegraph expenses	8,788.32	8,726.72
Water supply for locomotives	3,658.18	3,529.13
Other expenses	2,256.77	1,961.83
Total	342,321.45	373,022.88
Maintenance of equipment:		
Repairs of freight cars	45,514.92	60,266.15
Repairs of locomotives	39,490.18	24,216.16
Repairs of passenger cars	12,575.03	9,496.36
Repairs and renewals of shop machinery and tools	8,741.48	10,097.15
Superintendence and clerks	11,505.86	12,230.32
Stationery and printing	252.78	213.69
Total	118,080.25	116,519.83
Maintenance of way and structures:		
Repairs of bridges and culverts	9,702.97	12,493.24
Repairs and renewal of general offices	471.91	1,300.36
Repairs of road machinery and tools	2,205.37	2,317.79
Repairs of roadway and track	35,306.67	19,920.74
Renewals of switches and frogs	57.02	1,140.31
Renewals of spikes and rail fastenings	1,086.39	3,078.69
Repairs and renewal of station buildings	9,432.14	22,139.03
Repairs of shop buildings, water and fuel stations	10,900.49	14,028.64
Repairs of section houses, tool houses, etc	222.56	656.22
Renewal of ties	5,931.90	2,971.13
Repairs of telegraph	2,964.53	2,423.26
Removal of weeds, brush, grass, etc	3,667.69	3,934.01
Superintendence and clerks	8,847.02	8,307.27
Stationery and printing	253.92	261.13
Other expenses	419.35	369.80
Total	91,469.93	95,341.62

[Extracts from the fifty-fourth annual report of the Panama Railroad Company.]

NEW YORK, March 24, 1904.

To the stockholders of the Panama Railroad Company:

I respectfully present for your consideration the annual report of the board of directors for the calendar year 1903.

I call your attention to the report of the general manager, with the accompanying statement of earnings and expenses for the calendar year 1903, and the treasurer's balance sheet and transcript of profit and loss account, which will furnish you detailed information upon the physical and financial aspects of the company's properties and business.

Capital stock issue (unchanged), \$7,000,000.

The present outstanding bond issues are:

Sinking fund 6 per cent subsidy bonds:

Original issue of.....	\$3, 000, 000
(Being payment in advance of the annual subsidy of \$225,000 to the Republic of Colombia.)	
Redeemed by annual sinking fund drawings, including \$162,000 drawn in 1903.....	2, 113, 000
Outstanding at this date.....	887, 000
Of those outstanding \$153,000 are owned by the company and held in its treasury	153, 000
Leaving in the hands of the public.....	734, 000

By the operation of the sinking fund provision of this issue all of the bonds outstanding will be redeemed in 1908.

First mortgage 4½ per cent twenty-year gold bonds:

Authorized issue of.....	\$4, 000, 000
Held by the public	\$2, 224, 000
Redeemed by annual sinking fund drawings, including \$140,000 drawn in 1903.....	841, 000
Held in the company's treasury	935, 000
	4, 000, 000

Through the operation of the sinking fund this indebtedness will be reduced by 1917, the date of maturity of the mortgage, to \$1,199,000. It is the only mortgage lien upon the company's property.

During 1903, in addition to the payment out of the year's gross earnings of the \$250,000 annually due the Colombian Government, and the redemption, with interest, of \$140,000 of the company's 4½ per cent first mortgage bonds, outlay has been limited to maintaining the company's property in an effective condition, and completing improvements begun in previous years.

Construction account has been increased only by the cost of the four new electric transporters installed at La Boca, while operating expenses have been charged with the year's (1903) proportion of betterments, completed in 1902.

Dividends aggregating 8 per cent were declared out of accumulated earnings and paid 2 per cent on April 3, 2 per cent on October 1, and 4 per cent on January 1 last.

The company's efforts for many years to recover a considerable sum of taxes improperly paid to the State of New York were successful this year, and a substantial amount was covered into the company's treasury.

The important outlay required each year to maintain depths in the basins alongside the La Boca pier may be regarded as a "fixed charge" for the railroad until the Panama Canal is opened to commerce. The total cost for 1903 was less than for 1902.

The operation of the company's steamship line has resulted favorably, despite the necessity for its maintenance chiefly with chartered ships, owing to the laying up for repairs of S. S. *Advance* and *Finance*, which are now in progress.

The company's connection, at Colon, with six important European steamship lines has been continued satisfactorily, and increased by a resumption of relations with Veloce Company of Genoa, Italy, and addition of the Austrian-American Line, thereby extending our service to ports on the Adriatic coast.

Regular steamship connection has been established between Colon and New Orleans by arrangement with the United Fruit Company of Boston.

Operations under the new contract with Pacific Mail Steamship Company to cover traffic on the Pacific coast north of Panama continues satisfactorily, although extreme quarantine regulations and destruction of terminal facilities at various Mexican and Central American ports were injurious; better results are expected this season.

Reports are received from time to time regarding the expected early completion of projected transcontinental lines to compete with this company's railroad, but no such competition is actively in operation yet.

Operations under the new agreements with Pacific Steam Navigation Company and Cia Sud Americana de Vapores were seriously hampered by the closing of several ports to commerce on the Pacific coast south of Panama, because of an outbreak of bubonic plague.

An important decrease in exports from that territory resulted, with consequent loss of revenue to the joint carriers. Importation, however, was maintained, and on an increased scale.

The average cost to the company of labor and supplies was higher than for previous years.

Early in November, 1903, the Department of Panama seceded from the Republic of Colombia and successfully established the Republic of Panama, which new State has formally been recognized by nearly all of the leading nations of the globe. As a result the Republic of Colombia was deprived of its sovereignty over the territory in which the company's railroad and property are located, and the Republic of Panama has taken the place of the Republic of Colombia in the contract of concession with this company. In view of the change which had thus occurred, and to show its intention of loyally fulfilling its duties, the Republic of Panama at once, through its duly qualified commissioners (then in this city), gave formal notice to this company that the Republic assumed for itself all of the obligations of that contract toward this company, which action was later ratified by their Government, and formally concurred in by the Panama Railroad Company.

The condition of the company's property has been fully maintained and some improvements added, for the interesting account of which I refer you to the general manager's report.

I again refer you to the other accompanying reports for more detailed particulars. Respectfully submitted.

J. EDWARD SIMMONS, *President.*

PANAMA RAILROAD COMPANY,
New York, March 18, 1904.

To the President of the Panama Railroad Company.

SIR: I respectfully submit the following report of the business and operations of the Panama Railroad Company for the year ending December 31, 1903, and of the condition of the company's property.

The operations of the year show the following results:

Statement of earnings and expenditures.

	1903.	1902.	Increase.	Decrease.
EARNINGS.				
Railroad:				
Colon to Panama—				
Freight	\$607,614.99	\$559,392.30	\$48,222.69	.....
Treasure	7,900.98	7,223.08	677.90	.....
Mails	50,296.41	49,402.46	893.95	.....
Extra baggage	8,495.64	8,816.26	.....	\$320.62
Passengers	32,759.08	31,735.21	1,023.87	.....
	707,067.10	656,569.31	50,497.79	.....
Panama to Colon—				
Freight	500,010.29	522,667.88	.....	22,657.59
Treasure	15,137.63	16,035.16	.....	897.53
Mails	5,178.90	4,818.45	360.45	.....
Extra baggage	7,514.43	7,142.35	372.08	.....
Passengers	32,662.56	32,112.16	550.40	.....
	560,503.81	582,776.00	.....	22,272.19
Total earnings of railroad	1,267,570.91	1,239,345.31	28,225.60	.....
Panama Railroad Steamship Line:				
Atlantic service—				
Freight	674,440.02	652,966.87	21,473.15	.....
Treasure	5,119.86	5,556.51	.....	436.65
Mails	81,015.34	83,013.99	.....	1,998.65
Extra baggage	1,905.90	1,945.07	.....	39.17
Passengers	154,238.89	150,824.81	3,414.08	.....
Miscellaneous	3,859.90	4,008.88	.....	148.98
	920,579.91	898,316.13	22,263.78	.....
Pacific service—				
Freight	^a 164.98	161,051.32	.....	161,216.30
Passengers .....	.....	6,029.00	.....	6,029.00
Extra baggage .....	.....	37.91	.....	37.91
	^a 164.98	167,118.23	.....	167,283.21
Joint railroad and steamship receipts	476,065.45	458,035.96	18,029.49	.....
Total earnings	2,664,051.29	2,762,815.63	.....	98,764.34

^a Debit.

Statement of earnings and expenditures—Continued.

	1903.	1902.	Increase.	Decrease.
EXPENDITURES.				
Operating expenses of railroad:				
General expenses on Isthmus.....	\$41,356.41	\$42,838.36	.....	\$1,481.95
Conducting transportation.....	338,303.93	342,321.45	.....	4,017.52
Maintenance of equipment.....	113,765.69	118,080.25	.....	4,314.56
Maintenance of way and structures.....	68,814.16	91,469.93	.....	22,655.77
	562,240.19	594,709.99	.....	32,469.80
Panama Railroad Steamship Line:				
Atlantic service—				
Steamer expenses.....	519,298.10	552,276.86	.....	32,978.76
Agency expenses.....	105,204.52	117,137.92	.....	11,933.40
Charter of steamers.....	234,104.17	120,570.19	\$113,533.98	.....
Expenses steamer Advance, out of commission.....	3,676.07	.....	3,676.07	.....
Expenses steamer Finance, out of commission.....	3,220.92	.....	3,220.92	.....
	865,503.78	789,984.97	75,518.81	.....
Pacific service—				
Steamer expenses.....	1,601.46	91,444.93	.....	89,843.47
Agency expenses ^a.....	.....	54,019.67	.....	54,019.67
Charter of steamers.....	.....	106,862.50	.....	106,862.50
	1,601.46	252,327.10	.....	250,725.64
Joint railroad and steamship expenses.....	317,342.56	319,093.71	.....	1,751.15
Total operating expenses.....	1,746,687.99	1,956,115.77	.....	209,427.78
Earnings over operating expenses.....	917,363.30	806,699.86	110,663.44	.....
Appropriations for depreciation and special repairs of steamers and tugs:				
Replacement of boilers and special repairs of steamers.....	6,750.00	.....	6,750.00	.....
Depreciation of tugs.....	2,100.00	2,100.00	.....	.....
Replacement of boilers and special repairs of tugs.....	4,800.00	3,900.00	900.00	.....
	13,650.00	6,000.00	7,650.00	.....
Fixed charges:				
Subsidy to Republic of Colombia ^b	25,000.00	25,000.00	.....	.....
Redemption of subsidy bonds.....	162,060.00	152,880.00	9,180.00	.....
Interest on subsidy bonds.....	62,940.00	72,120.00	.....	9,180.00
Interest on first mortgage bonds.....	102,645.00	99,882.50	2,762.50	.....
Redemption of first mortgage bonds.....	150,000.00	150,000.00	.....	.....
Interest on balance due La Boca wharf contractors.....	.....	5,432.96	.....	5,432.96
	502,645.00	505,315.46	.....	2,670.46
Total appropriations and fixed charges...	516,295.00	511,315.46	4,979.54	.....
Net income.....	401,068.30	295,384.40	105,683.90	.....

^a Includes wharfage at La Boca.

^b Republic of Panama after November 3, 1903.

Gross revenue receipts, expenditures, and net earnings for 1903, compare, as under, with those of 1902.

	Earnings.	Operating expenses.	Earnings over operating expenses.	Appropriations for depreciations, etc.	Net earnings.
1903.....	\$2,664,051.29	\$1,746,687.09	\$917,363.30	\$13,650.00	\$903,713.30
1902.....	2,762,815.63	1,956,115.77	806,699.86	6,000.00	800,699.86
Increase in 1903.....	.....	.....	110,663.44	7,650.00	103,013.44
Decrease in 1903.....	98,764.34	209,427.78	.....	.....	.....
Decrease in fixed charges, 1903.....	.....	.....	.....	.....	2,670.46
Increase in profit, 1903.....	.....	.....	.....	.....	105,683.90

EARNINGS.

RAILROAD.

The total earnings of the railroad proper show an increase of \$28,225.60, or 2.28 per cent, over the earnings of last year. West-bound freight earnings increased \$48,222.69, while east-bound earnings decreased \$22,657.59, thus making a net increase in freight earnings of \$25,565.10. Passenger earnings increased \$1,574.27 and mail earnings \$1,254.40.

Freight traffic destined to South Pacific ports increased 4,000 tons from New York and 7,000 tons from Europe, while there was a decrease in traffic from ports south of Panama to New York of 10,000 tons, and to Europe of 5,000 tons, as compared with last year—a total of 15,000 tons. In 1902 traffic from this territory was 18,000 tons less than in 1901. This continued falling off in tonnage from South Pacific ports is to be greatly deplored, and earnest efforts are being made to stop it.

Traffic to and from Central America and Mexico increased about 10 per cent over 1902.

The following table shows the freight tonnage carried over the railroad in 1903, as compared with 1902:

[Ton of 2,000 pounds, or 40 cubic feet.]

	Years ending December 21.			
	1903.	1902.	Increase.	Decrease.
West bound.....	187,796	180,267	<i>Per cent.</i> 4.18	<i>Per cent.</i>
East bound.....	161,742	166,422	.....	2.81
Total.....	349,538	346,689	.82	.....

The gross earnings per ton moved on the road compare as follows:

	Year ending December 31—		Increase.	Decrease.
	1903.	1902.		
West bound.....	\$3.25	\$3.11	<i>Per cent.</i> 4.50	<i>Per cent.</i>
East bound.....	3.09	3.14	.....	1.59
Average east and west bound.....	3.17	3.13	1.28	.....

Table No. 4, accompanying this report, shows the origin and destination of the freight carried over the railroad.

Compared with 1902 the total tonnage transported over the railroad in 1903 shows an increase of 2,849 tons, or 0.82 per cent, and the total earnings from freight an increase of \$25,565.10 or 2.36 per cent.

Of the total tonnage carried, 53.73 per cent was west bound and 46.27 per cent east bound. In 1902 these percentages were 52 per cent and 48 per cent, respectively.

The proportion of through traffic to the total tonnage handled was 80.61 per cent; in 1902 through freight amounted to 78.61 per cent.

Coal comprised 52.51 per cent of the local traffic west bound.

The following statements show the number of passengers carried and the passenger earnings:

Classification.	Number of passengers carried—		Increase.	Decrease.	Passenger earnings—		Increase.	Decrease.
	1903.	1902.			1903.	1902.		
First-class.....	4,636	3,862	<i>Per cent.</i> 20.04	<i>Per cent.</i>	\$28,114.04	\$25,631.78	<i>Per cent.</i> 9.68	<i>Per cent.</i>
Second-class.....	73,229	76,946	.....	4.83	37,307.60	38,215.59	.....	2.38
Total.....	77,865	808,08	.....	3.64	65,421.64	63,847.37	2.47	.....

Average receipt per passenger.

Classification.	1903.	1902.	Increase.	Decrease.
First-class passengers:			<i>Per cent.</i>	<i>Per cent.</i>
Through	\$9.03	\$8.97	0.66	.....
Local	3.08	3.58	.....	13.97
Second-class passengers:				
Through	4.87	3.96	22.98	.....
Local .....	.42	.42	.....	.....

The total passenger earning amounted to \$65,421.64, an increase of \$1,574.27, or 2.47 per cent. First-class passengers increased 774, or 20.04 per cent, in number, and \$2,482.26 in earnings, or 9.68 per cent, while second-class passengers decreased 3,717, or 4.83 per cent, in number, and \$907.99, or 2.38 per cent, in earnings.

STEAMSHIP LINES.

The total earnings of the Atlantic line from all sources amounted to \$920,579.91, an increase of \$22,263.78, or 2.48 per cent. Of this increase \$21,473.15 was in freight traffic, the tonnage of which remained practically the same as last year.

Of the total tonnage transported 41,260 tons were carried by the company's steamers and 117,049 by chartered steamers. In 1902 the former carried 104,062 tons and the latter 54,340 tons.

The Pacific line accounts show a debit to freight earnings of \$164.98 for overcharges settled during the year.

JOINT RAILROAD AND STEAMSHIP RECEIPTS.

The total receipts of all the accounts grouped together under this heading amounted to \$476,065.45, an increase of \$18,029.49, or 3.94 per cent, as compared with 1902. There is included in this total the sum realized in September last from the assignment of the credit allowed this company in December, 1891, by the comptroller of the State of New York, upon revision and readjustment by him of the taxes paid on the capital stock for the years 1881, 1882, 1883, and 1884.

The following table will show the number of tons lightered in Panama Bay and handled on La Boca wharf during the year 1903, as compared with 1902:

	1903.	1902.	Increase.	Decrease.
	<i>Tons.</i>	<i>Tons.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Merchandise	202,439	209,086	.....	3.18
Lumber	191	38	402.63	.....
Coal	8,556	20,980	.....	59.22
Total	211,186	230,104	.....	8.22

EXPENDITURES.

The revenue expenditures of 1903 and 1902 compare as under:

	1903.	1902.	Increase.	Decrease.
Railroad	\$562,240.19	\$594,709.99	.....	\$32,469.80
Steamship line:				
Atlantic service	865,503.78	789,984.97	\$75,518.81	.....
Pacific service	1,601.46	252,327.10	.....	250,725.64
Joint railroad and steamship expenses	317,342.56	319,093.71	.....	1,751.15
Appropriations for depreciation and special repairs of steamers and tugs	13,650.00	6,000.00	7,650.00	.....
Total	1,760,337.99	1,962,115.77	.....	201,777.78

This table shows a decrease of \$201,777.78 in total revenue expenditures, while there was a decrease of \$98,764.34 in total earnings.

Railroad.

CONDUCTING TRANSPORTATION.

The expenses of this department, compared with 1902, show a decrease of \$4,017.52, or 1.17 per cent, while the total tonnage moved increased 2,849 tons, or 0.82 per cent.

An important expense was incurred by the free transportation of marines and sailors of the United States engaged in maintaining the security of the transit upon the Isthmus.

From January 1 to December 31, 1903, there were also transported, without charge, 5,755 troops and 11,098 officials of the Republics of Colombia and of Panama.

MAINTENANCE OF EQUIPMENT.

The total charges or expenses under this heading amounted to \$113,765.69, a decrease of \$4,314.56, or 3.65 per cent, as compared with last year.

During the last year engines Nos. 2, 3, 10, 30, 34, 36, and 37 were thoroughly repaired, No. 10 having also received a new boiler. Twenty-three others received ordinary running repairs. Many of these will need new boilers during this year and next.

The passenger equipment is all in good condition, requiring only usual running repairs; 9 coaches and 4 baggage cars were completely overhauled during 1903. General repairs, amounting to rebuilding, were given to 79 box cars, 16 coal, 26 flat, 9 stock cars, and 1 caboose; also, there were rebuilt for the road department 1 tool car, 1 derrick car, and 4 camp cars. The entire freight equipment is therefore in good order.

MAINTENANCE OF WAY AND STRUCTURES.

The track, bridges, and station buildings have been maintained in good condition, at an expenditure of \$68,814.16, a decrease of \$22,655.77, or 24.77 per cent.

A stone pier and steel trestle have been erected under the bridge over the Rio Grande upon the Culebra deviation and the floor system reinforced by arrangement with the canal company, and trains are now operated over the bridge without slowing down. It was necessary also to strengthen two other iron bridges, and because of severe floods to rebuild the ends of 22 stone culverts.

STEAMSHIP LINES.

The operating expenses of the Atlantic line (which include \$6,896.99 for expenses of steamships *Advance* and *Finance* while out of commission and not undergoing repairs) were \$865,503.78, an increase of \$75,518.81, or 9.56 per cent.

The steamship *Finance* was laid off on January 27, 1903, and her place in the line supplied by the chartering of an American steamship, since which date only one vessel of the company's fleet, the steamship *Allianca*, has been operated.

To maintain a weekly service and provide sufficient tonnage three chartered passenger vessels have been employed during most of the year, the payments for hire of steamers exceeding those of last year by \$113,533.98.

The Pacific line accounts show a total charge to steamer expenses of \$1,601.46, which is almost wholly for loss and damage freight claims settled during the year.

JOINT RAILROAD AND STEAMSHIP EXPENSES.

The combined expenditures under this head, which include general expenses, foreign agency expenses, lighterage, docks and wharves, real estate, etc., amounted to \$317,342.56, a decrease of \$1,751.15, or 0.55 per cent.

The floating equipment in Panama Bay has been well maintained, except launches 1, 2, 4, and 5, not worth extensive repairs; all launches have, however, been scraped and painted; also the tug *Ancon*. The *Bolivar* has been in use during the entire year and is in thoroughly good condition.

GENERAL REMARKS.

During the period from 1894 to 1903, inclusive, the percentage of total expenses to gross earnings was as follows:

	Per cent.
1894.....	69.93
1895.....	61.63
1896.....	53.94
1897 (including taxes and appropriations for depreciation, etc.).....	61.12
1898 (including taxes and appropriations for depreciation, etc.).....	64.91
1899 (including taxes and appropriations for depreciation, etc.).....	64.66
1900 (including taxes and appropriations for depreciation, etc.).....	65.25
1901 { (including taxes and appropriations for depreciation, etc.).....	64.72
{ (or including Pacific line not operated in 1900).....	76.34
1902 { (including taxes and appropriations for depreciation, etc.).....	65.87
{ (or including Pacific line operated for six months).....	71.02
1903 (including appropriations for depreciation and special repairs).....	66.01

Extensive repairs to the boilers, hull, and rigging of the steamship *Advance*, begun in November, 1902, were discontinued upon the boilers being condemned and the preliminary work on the hull showing up other defects, to correct which required the practical rebuilding of the ship, not contemplated then. In October, 1903, several shoe plates of the steamship *Allianca* were renewed, bulkhead plating replaced where corroded, etc. Of the total outlays for these repairs, \$23,007.71 was carried to the debit of "Fund for replacement of boilers and special repairs to steamers and tugs," and \$6,750 was appropriated out of net earnings and credited to said account as this year's proportion of such expenditures.

On November 30 a contract was concluded with the firm of Wm. Cramp & Sons for the rebuilding of the *Advance* and *Finance*, both of these steamships being now in their shipyard at Philadelphia in process of reconstruction.

The dredging of the basins and of the maritime channel at La Boca has been continued steadily through the year with one powerful dredge; the necessary depths have been maintained.

The electric transporters procured last year required the erection of a considerable addition to the electric plant and to the conducting wires, which have been installed, and the whole are in successful operation, with excellent results in the handling of cargoes. It was thought judicious, in making these additions, to provide for extending the use of electricity to other transporters.

The wharves at Colon and Panama have received all necessary repairs, with the exception of the American wharf at Panama, which will require an expenditure of about \$4,000. The creosoted piles and timbers required for this work are already on the Isthmus. The coal pier and the English wharf have been overhauled, rebraced, and put in sound condition.

The company's buildings have received the usual expenditure necessary in the climate of the Isthmus. Much attention has also been given to the improvement of the drainage at Colon in the vicinity of the company's buildings, and to the prevention of the breeding of mosquitoes.

The land department has continued to increase its revenues, showing a larger gain over the previous year than in any other year—about \$3,400.

The electric light plant at Colon, operated in connection with the ice plant, continues to show a small profit.

The water supply for Panama was improved by the construction of a large well at La Boca Junction and an arrangement for piping the water from cars into the storage tank at Panama.

During the year 1903 there was comparative peace on the Isthmus, only disturbed by the revolution which resulted in the independence of the Department of Panama and the organization of the new Republic, happily without bloodshed or destruction of property.

The thanks of the board are due to the employees of the company for meritorious and faithful service.

Respectfully,

CHARLES PAINE, *General Manager.*

TABLE A.—Balance sheet, December 31, 1901.

RESOURCES.	
Cost of road, real estate, and equipment.....	\$12,045,258.32
New terminal at La Boca.....	}
Floating equipment:	
Steamers <i>Allianca</i> , <i>Finance</i> , and <i>Advance</i> , reduced value December 31, 1902.....	\$267,419.27
Tugs and lighters, reduced value December 31, 1902.....	\$318,137.53
Depreciation fund for tugs.....	2,100.00
	316,037.53
	583,456.80
Total.....	12,628,715.12
Bonds in treasury:	
153 6 per cent Panama Railroad Company sinking-fund subsidy bonds.....	153,000.00
935 4½ per cent twenty-year gold sinking-fund bonds.....	936,037.50
	1,089,037.50
On deposit with financial agents for redemption of bonds:	
6 per cent subsidy bonds.....	10,000.00
Advance of subsidy to Republic of Colombia.....	887,000.00
Improvement and construction accounts.....	55,570.50
Fund for replacement of boilers and special repairs to steamers and tugs.....	34,002.59
Current assets:	
Cash in banks and with agents.....	469,994.66
Coal and supplies on hand.....	176,412.86
Due from connecting companies.....	108,060.58
Due from United States Government.....	24,437.16
Due from Republic of Colombia.....	4,999.93
Due from companies and individuals.....	48,078.50
Accrued interest on deposits.....	13,682.96
Accrued interest on securities owned.....	1,777.50
Unadjusted accounts.....	12,513.33
Prepaid insurance and charter of steamers.....	17,595.93
	877,553.41
	15,581,879.12
LIABILITIES.	
Capital stock.....	\$7,000,000.00
4½ per cent twenty-year sinking-fund gold bonds (authorized issue, \$4,000,000):	
Issued to date (4,000 bonds, less 701 bonds previously redeemed).....	\$3,299,000.00
Drawn for redemption in 1903.....	140,000.00
	3,159,000.00
Total capital stock and mortgage liabilities.....	10,159,000.00
6 per cent gold fund subsidy bonds ^a	887,000.00
Bonds drawn for redemption not presented for payment:	
6 per cent subsidy bonds.....	10,000.00
Accrued interest on bonds:	
4½ per cent twenty-year gold bonds (2,246 bonds).....	25,267.50
6 per cent subsidy bonds.....	8,870.00
	34,137.50
Funds for redemption of bonds:	
4½ per cent twenty-year gold bonds.....	62,946.78
6 per cent subsidy bonds.....	76,005.00
	138,951.78
Due Republic of Panama.....	21,875.00
Allowance to cover excess interest over contract rate on 4½ per cent bonds sold to prepay indebtedness due contractors new terminal at La Boca on October 15, 1905.....	26,061.95
Current liabilities:	
Isthmus drafts not presented.....	11,100.95
Coupons not presented.....	1,562.50
Audited vouchers.....	97,941.51
Unclaimed dividends.....	119.00
Due deceased or missing employees.....	2,199.02
	112,922.98
Balance to credit of profit and loss.....	4,191,929.91
	15,581,879.12

^a 887 6 per cent gold sinking-fund subsidy bonds of \$1,000 each, amounting to \$887,000, issued November 1, 1880, fall due November 1, 1910.

To meet this bonded indebtedness, \$225,000 annually of the Colombian Government subsidy was pledged till March 27, 1908, the same to be applied by the company, first, to the payment of the interest, and, second, as a cumulative sinking fund for the redemption of the principal; the bonds to be drawn yearly in September to an amount equal to the then surplus of the subsidy sinking fund, the drawn bonds to be paid on November 1, after each drawing, and thereby redeeming the whole issue in 1908.

S. DEMING, *Treasurer*.

TABLE B.—*Profit and loss account, December 31, 1903.*

DEBIT.

To one hundred and sixteenth dividend	\$140,000.00
one hundred and seventeenth dividend.....	140,000.00
one hundred and eighteenth dividend.....	280,000.00
Operating expenses.....	1,746,852.97
Appropriations for depreciation of tugs and special repairs of steamers and tugs.....	13,650.00
Fixed charges	502,645.00
Uncollectible accounts, etc., written off	29.85
Balance, assets over liabilities, December 31, 1903.....	4,191,929.91
	7,015,107.73

CREDIT.

By balance, December 31, 1902.....	\$4,201,587.09
Gross earnings.....	2,664,216.27
4½ per cent twenty-year sinking-fund gold bonds redeemed	140,000.00
Adjustment of accounts of previous years	8,764.37
Value of fittings taken from dismantled lighters, etc	540.00
	7,015,107.73

APPENDIX.

Board of directors, Panama Railroad Company.

[Elected April 4, 1904.]

Name.	Re-signed.	Replaced by—	Date.
	1904.		1904.
J. Edward Simmons.....			
Geo. Whaley	Sept. 15	W. B. Parsons	Sept. 15.
E. A. Drake			
S. M. Felton.....			
J. H. Parker.....			
Wm. N. Cromwell.....			
Vernon H. Brown.....			
Chas. Einsiedler.....	July 14	J. G. Walker.....	July 14.
R. M. Gallaway	Oct. 27	G. W. Davis	Oct. 27.
A. L. Hopkins.....	do ..	B. M. Harrod.....	Do.
C. B. Comstock.....	do ..	F. G. Hecker	Do.
J. G. Buchanan	July 14	W. H. Burr	July 14.
C. Paine.....	do ..	C. E. Grunsky	Do.
F. G. Hecker	Nov. 23	Vacancy	

At present—
 12 directors acting.
 1 vacancy.
 —
 13

There has been one dividend declared by the board of directors of the Panama Railroad Company since the election to the board of the members of the Isthmian Canal Commission, and that was of 5 per cent, payable February 1, 1905.

On that day checks were mailed to the members of the Isthmian Canal Commission as follows:

To Admiral J. G. Walker for \$5, same being 5 per cent on 1 share standing in his name.

To Admiral J. G. Walker, chairman Isthmian Canal Commission, for \$470, same being 5 per cent on 94 shares standing in his name as chairman of the Isthmian Canal Commission.

To Wm. H. Burr for \$5, same being 5 per cent on 1 share standing in his name.

To C. E. Grunsky for \$5, same being 5 per cent on 1 share standing in his name.

To Wm. B. Parsons for \$5, same being 5 per cent on 1 share standing in his name.

To G. W. Davis for \$5, same being 5 per cent on 1 share standing in his name.

To F. G. Hecker for \$5, same being 5 per cent on 1 share standing in his name.

To B. M. Harrod for \$5, same being 5 per cent on 1 share standing in his name.

Total payment, \$505 on 101 shares.

Statement of fees paid to directors of the Panama Railroad Company who are members of the Isthmian Canal Commission.

Date.	Meeting.	Directors present.	Amount paid each.
1904.			
July 14	Board	{ J. G. Walker W. H. Burr	\$25 25
July 26	do	{ J. G. Walker W. H. Burr	25 25
Sept. 15	do	{ C. E. Grunsky W. H. Burr	25 25
Sept. 22	do	{ J. G. Walker C. E. Grunsky Wm. B. Parsons	25 25 25
Oct. 13	do	{ J. G. Walker W. H. Burr C. E. Grunsky Wm. B. Parsons	25 25 25 25
Oct. 14	Committee	do	10
Oct. 18	do	do	10
Oct. 21	do	do	10
Oct. 25	do	do	10
Oct. 27	Board	{ J. G. Walker W. H. Burr C. E. Grunsky	25 25 25
Oct. 28	Committee	Wm. B. Parsons	10
Nov. 1	do	do	10
Nov. 9	do	do	10
Nov. 10	Board	{ J. G. Walker W. H. Burr C. E. Grunsky Wm. B. Parsons B. M. Harrod	25 25 25 25 25
Nov. 18	Committee	Wm. B. Parsons	10
Nov. 22	do	do	10
Nov. 23	Board	{ W. H. Burr C. E. Grunsky Wm. B. Parsons B. M. Harrod	25 25 25 25
Nov. 25	Committee	Wm. B. Parsons	10
Nov. 29	do	do	10
Dec. 2	do	do	10
Dec. 6	do	do	10
Dec. 8	Board	{ W. H. Burr C. E. Grunsky Wm. B. Parsons B. M. Harrod	25 25 25 25
Dec. 9	Committee	Wm. B. Parsons	10
Dec. 16	do	do	10
Dec. 20	do	do	10
Dec. 22	Board	{ J. G. Walker W. H. Burr C. E. Grunsky Wm. B. Parsons	25 25 25 25
Dec. 23	Committee	do	10
Dec. 27	do	do	10
1905.			
Jan. 3	do	do	10
Jan. 6	do	do	10
Jan. 10	do	do	10
Jan. 12	Board	{ J. G. Walker W. H. Burr C. E. Grunsky Wm. B. Parsons B. M. Harrod	25 25 25 25 25
Jan. 13	Committee	Wm. B. Parsons	10
Jan. 30	Board	{ J. G. Walker do	25 25
Feb. 8	do	{ C. E. Grunsky B. M. Harrod	25 25

Statement of fees paid to directors of the Panama Railroad Company who are members of the Isthmian Canal Commission—Continued.

SUMMARY.

Name of director.	Meetings attended.		Total of fees received.
	Committee, at \$10.	Board of directors, at \$25.	
J. G. Walker		10	\$250
W. H. Burr		10	250
C. E. Grunsky		10	250
Wm. B. Parsons	22	7	395
B. M. Harrod		5	125

Total of fees received by directors of Panama Railroad Company who are members of the Isthmian Canal Commission, for attendance at meetings of the board of directors and executive and finance committee, \$1,270.

Attendance fees paid by Panama Railroad Company to Director J. G. Walker.

Date of election as director.	Meetings attended.		Fees received.
	Board.	Committee.	
1904.	1904.		
July 14.....	July 14.....		\$25
	July 26.....		25
	September 22.....		25
	October 13.....		25
	October 27.....		25
	November 10.....		25
	December 22.....		25
	1905.		
	January 12.....		25
	January 30.....		25
	February 8.....		25
Total			250

Attendance fees paid by Panama Railroad Company to Director W. H. Burr.

Date of election as director.	Meetings attended.		Fees received.
	Board.	Committee.	
1904.	1904.		
July 14.....	July 14.....		\$25
	July 26.....		25
	September 15.....		25
	October 13.....		25
	October 27.....		25
	November 10.....		25
	November 23.....		25
	December 8.....		25
	December 22.....		25
	1905.		
	January 12.....		25
Total			250

Attendance fees paid by Panama Railroad Company to Director C. E. Grunsky.

Date of election as director.	Meetings attended.		Fees received.
	Board.	Committee.	
1904.	1904.		
July 14	July 26		\$25
	September 22		25
	October 13		25
	October 27		25
	November 10		25
	November 23		25
	December 8		25
	December 22		25
	1905.		
	January 12		25
	February 8		25
Total			250

Attendance fees paid by Panama Railroad Company to Director Wm. B. Parsons.

Date of election as director.	Meetings attended.		Fees received.
	Board.	Committee.	
1904.	1904.	1904.	
Sept. 15	September 22		\$25
	October 13		25
		October 14	10
		October 18	10
		October 21	10
		October 25	10
		October 28	10
		November 1	10
		November 9	10
	November 10		25
		November 18	10
		November 22	10
	November 23		25
		November 25	10
		November 29	10
		December 2	10
		December 6	10
	December 8		25
		December 9	10
		December 16	10
		December 20	10
	December 22		25
		December 23	10
		December 27	10
		1905.	
		January 3	10
		January 6	10
		January 10	10
	1905.		
	January 12		25
		January 13	10
Total			395

From directors' meeting \$175
 From committee meetings..... 220

Attendance fees paid by Panama Railroad Company to Director B. M. Harrod.

Date of election as director.	Meetings attended.		Fees received
	Board.	Committee.	
1904.	1904.		
October 27.....	November 10 .....	.....	\$25
	November 23 .....	.....	25
	December 8 .....	.....	25
	1905.		
	January 12 .....	.....	25
	February 8 .....	.....	25
Total .....	.....	.....	125

ISTHMIAN CANAL COMMISSION,
Washington, D. C., February 18, 1905.

HON. W. P. HEPBURN,
Chairman Committee on Interstate and Foreign Commerce.

SIR: Referring to the testimony before your committee yesterday, concerning the acceptance by members of the Isthmian Canal Commission of fees for attendance at meetings of the board of directors of the Panama Railroad Company, I beg that you will submit to your committee the following extract from the minutes of the Commission of October 11:

“The Commissioners were also informed by the chairman that at a recent conference with the President the matter of the attendance fee paid to the directors attending meetings provided by the by-laws of the Panama Railroad Company was referred to, and that the President desired the Commission to be informed that his order fixing the compensation of the Commissioners was not intended to prevent the acceptance of such fee.”

My connection with the board as a director was subsequent to the settlement of the question as above cited.

Respectfully,

B. M. HARROD.

ISTHMIAN CANAL COMMISSION,
Washington, D. C., February 18, 1905.

HON. WM. P. HEPBURN,
*Chairman Interstate and Foreign Commerce Committee,
House of Representatives.*

DEAR SIR: Bearing upon the matter of attendance fees paid to the directors of the Panama Railroad Company, I inclose for your information, and for such use as you may desire to make thereof, a carbon copy of a letter written by me to the secretary of the board of directors in reference to this matter.

I desire to ask your attention also to the following extract from the minutes of the Commission's proceedings on October 11, 1904:

“The commissioners were also informed by the chairman that at a recent conference with the President the matter of the attendance fee, paid to the directors attending meetings provided by the by-laws of the Panama Railroad Company was referred to, and that the President desired the Commission to be informed that his order, fixing compensation of the commissioners, was not intended to prevent the acceptance of such fee.”

Very respectfully,

C. E. GRUNSKY.

STEAMSHIP FINANCE, *September 13, 1904.*

MR. E. A. DRAKE,
*Secretary Board of Directors Panama Railroad Company,
24 State Street, New York City, N. Y.*

DEAR SIR: Inclosed I hand you, unopened, an envelope that was handed to me at the close of the first and only directors' meeting, July 26, which I have attended. It contains I suppose the attendance fee to which the directors are entitled under the company's by-laws. I did not insist upon declining this fee at the time it was handed me in order to avoid possible embarrassment of my associates, and because I desired to read again the President's letter which makes our services on the board of directors a part of our official duties for which we are otherwise compensated. I

can not construe the attendance fee other than compensation, and therefore must decline to accept any such fee for attendance at meetings.

As our board of directors must be considered to be acting for and in the interest of the owners of the Panama Railroad, and in this case there is practically sole ownership by the United States, no action should be taken which is not in accord with the views of the proper United States authorities. It has not been possible for me to ascertain as yet what the wishes of these authorities are in the matter of building new ships and increasing indebtedness. For this reason I must ask you to convey to the executive committee a suggestion from me that no steps be taken in this matter beyond planning the ships, until there is no further question as to the wish of the majority stockholder in this matter. I speak of course for myself only, and this letter will indicate to you that one director at least has not yet been able to learn, either through the Commission or otherwise, what the United States wants done.

Yours, very respectfully,

C. E. GRUNSKY.

A. N. 39, 500. Dec. '03. Tariff No. 2—C. T. (Supersedes conflicting rates of earlier date.) "Panama route." Panama R. R. Steamship Line, Panama Railroad, and connecting steamer lines. Tariff of freight rates from New York and common points to California terminals, viz, Sacramento and Stockton. Taking effect January 18, 1904. (Subject to change without notice.) Mark and consign all shipments to the care of Panama R. R. Steamship Line, 24 State St., New York. R. L. Walker, traffic manager; A. E. Paterson, contracting agent; 24 State street, New York. B. H. Langley, agent, 421 Market street, San Francisco.

From New York and common points^a to Sacramento and Stockton, Cal.

Class rates, subject to the western classification.

[In cents per 100 pounds.]

1.	2.	3.	4.	5.	A.	B.	C.	D.	E.
180	150	130	115	105	105	85	80	80	70

Subject to change without notice. Commodity rates from New York will be those of "Sunset" Tariff, No. C 22. Effective January 18, 1904, and supplements thereto, less the following discounts: Carloads, 20 per cent; less carloads, 30 per cent, observing minimum of 50 cents per 100 pounds. Minimum charge for any single shipment will be \$3.50.

In addition to the regular transportation charges provided above, shipments are subject to toll levied in San Francisco by the State of California. Freight received at Pier 67, North River, New York City. Shipments from Philadelphia should be forwarded by the "Clyde Line." Shipments from Baltimore should be forwarded by the "New York and Baltimore Transportation Line." Shipments from Boston should be forwarded by either "Fall River Line," "Metropolitan S. S. Co.," "New England Railroad," "Norwich Line" or "Providence Line." New York, December 22, 1903.

A. N. 39, 1000, July, '04. Tariff No. 4.—S. C. (Supersedes conflicting rates of earlier date.) "Panama route." Panama R. R. Steamship Line, Panama Railroad, and connecting steamer lines. Tariff of freight rates from New York and common points to Southern California points, viz, Los Angeles, San Diego, and Santa Barbara. Taking effect July 1, 1904 (subject to change without notice). Mark and consign all shipments to the care of Panama R. R. Steamship Line, 24 State street, New York. R. L. Walker, traffic manager; A. E. Paterson, contracting agent; 24 State street, New York. B. H. Langley, agent, 421 Market street, San Francisco.

From New York and common points to Los Angeles, San Diego, and Santa Barbara, California.

^a When through rates are 70 cents per 100 pounds or over, via the Panama route, they will apply from Boston, Philadelphia, Baltimore and common points, provided the local freight charges to New York plus transfer do not exceed 20 cents per 100 pounds, and provided further, that all shipments from points outside of New York city are consigned to the care of Panama Railroad Steamship Line, 24 State St., New York.

Class rates, subject to the western classification.

[In cents per 100 pounds.]

1	2	3	4	5	A	B	C	D	E
180	150	130	115	105	105	85	80	80	70

Subject to change without notice. Commodity rates from New York will be those of transcontinental west-bound tariffs in effect at time of shipment less the following discounts: Carloads, 20 per cent; less carloads, 30 per cent; observing minimum of 60 cents per 100 pounds. Minimum charge for any single shipment will be \$3.50. Charges from interior points plus transfer in New York will be absorbed out of the through rates when not in excess of 20 cents per 100 pounds, but in no case can maximum absorption leave less than 60 cents per 100 pounds, from New York to Pacific Coast terminals mentioned. All shipments from points outside of New York City must be consigned to the care of Panama Railroad Steamship Line, 24 State St., New York. In addition to the regular transportation charges provided above, shipments are subject to toll levied in San Francisco by the State of California. Freight received at pier, foot West 27th St., New York City. Shipments from Philadelphia should be forwarded by the "Clyde Line." Shipments from Baltimore should be forwarded by the "New York and Baltimore Transportation Line." Shipments from Boston should be forwarded by either "Fall River Line," "Metropolitan S. S. Co.," "New England Railroad," "Norwich Line," or "Providence Line." New York, July 1, 1904.

Tariff No. 6—N. P. C. (Supersedes conflicting rates of earlier date.) "Panama Route." Panama R. R. Steamship Line, Panama Railroad, Pacific Mail Steamship Co., connecting in San Francisco with the Oregon Railroad and Navigation Co. and Pacific Coast S. S. Co. Tariff of freight rates from New York to North Pacific coast points, viz: Portland, Astoria, Seattle, Tacoma, Port Townsend, Everett, Anacortes, New Whatcom (Bellingham Bay), Vancouver and Victoria, taking effect July 1, 1904 (subject to change without notice). Mark and consign all shipments to the care of Panama Railroad Steamship Line, 24 State street, New York. R. L. Walker, Traffic Manager; A. E. Paterson, Contracting Agent, 24 State street, New York. B. H. Langley, Agent, 421 Market street, San Francisco.

A N 31.—Revised. [1000 July '04] From New York to North Pacific coast points, viz: Portland, Astoria, Seattle, Tacoma, Port Townsend, Everett, Anacortes, New Whatcom (Bellingham Bay), Vancouver and Victoria.

Class rates, subject to the western classification.

[In cents per 100 pounds.]

1	2	3	4	5	A	B	C	D	E
180	150	130	115	105	105	85	80	80	70

Subject to change without notice. Commodity rates from New York will be those of transcontinental west-bound tariffs in effect at time of shipment less the following discounts: Carloads, 20 per cent; less carloads, 30 per cent; observing minimum of 60 cents per 100 pounds. Minimum charge for any single shipment will be \$4. Charges from interior points plus transfer in New York will be absorbed out of the through rates when not in excess of 20 cents per 100 pounds, but in no case can maximum absorption leave less than 60 cents per 100 pounds from New York to Pacific coast terminals mentioned. All shipments from points outside of New York City must be consigned to the care of Panama Railroad Steamship Line, 24 State street, New York. In addition to the regular transportation charges provided above, shipments are subject to toll levied in San Francisco by the State of California. Freight received at pier, foot West 27th street, New York City. Shipments from

Philadelphia should be forwarded by the "Clyde Line." Shipments from Baltimore should be forwarded by the "New York and Baltimore Transportation Line." Shipments from Boston should be forwarded by either "Fall River Line," "Metropolitan S. S. Co.," "New England Railroad," "Norwich Line," or "Providence Line." New York, July 1, 1904.

PANAMA RAILROAD COMPANY, PANAMA RAILROAD STEAMSHIP LINE.

Supplement No. 1 to S. F. Rate Circular No. 7, effective January 26, 1904.—Special rates of freight New York to San Francisco.—For use of agents only.

[Rates are shown in cents per 100 pounds.]

No.	Articles.	From—	Rate.
1	Bolts, iron.....	New York.....	45
2	Graphaphones and discs	do	180
3	Horseshoes	do	45
4	Iron: Bar, band, hoop and plate, pipe, bolts, nuts, rivets, nails; and horseshoes, in straight or mixed carloads.....	do	45
5	Lard and lard compounds.....	do	50
6	Nuts, iron	do	45
7	Nails	do	45
8	Phonographs and materials	do	180
9	Rivets, iron.....	do	45
10	Reginas and stands	do	180
11	Slot machines, boxed	do	180
12	Talking machines and supplies	do	180
13	Typewriting machines	do	180

This supplement cancels Supplement No. 1, to S. F. Rate Circular No. 6 effective February 5, 1901.

Effective March 2, 1904.

R. L. WALKER,
Traffic Manager, 24 State Street, New York.

A N 16, 2000 Feb. '04. S. F. Rate Circular No. 7. (Supersedes conflicting rates of earlier date.) "Panama route." Panama R. R. Steamship Line. Panama Railroad. Tariff of freight rates from New York and common points to San Francisco. Taking effect January 26, 1904. (Subject to change without notice.) Mark and consign all shipments to the care of Panama R. R. Steamship Line, 24 State street, New York. R. L. Walker, Traffic Manager, A. E. Paterson, Contracting Agent, 24 State street, New York. B. H. Langley, Agent, 421 Market street, San Francisco. From New York and common points^a to San Francisco.

Class rates, subject to the western classification.

[In cents per 100 pounds.]

1.	2.	3.	4.	5.	A.	B.	C.	D.	E.
180	150	130	115	105	105	85	80	80	70

Subject to change without notice. Commodity rates from New York will be those of transcontinental west-bound tariffs in effect at time of shipment less the following discounts: Carloads, 20 per cent; less carloads, 30 per cent; observing minimum of 40

^a When through rates are 60 cents per 100 pounds or over via the Panama route, they will apply from interior points provided the local freight charges to New York plus transfer do not exceed 20 cents per 100 pounds, and provided further, that all shipments from points outside of New York City are consigned to the care of Panama Railroad Steamship Line, 24 State street, New York.

cents per 100 pounds. Minimum charge for any single shipment will be \$3 subject to the following exceptions from New York: Oil (not petroleum) in barrels or cases in carloads, minimum weight 24,000 pounds (calculated on actual gross weight) 50 cents per 100 pounds. In addition to the regular transportation charges provided above, shipments are subject to toll levied in San Francisco by the State of California. Freight received at Pier 67, North River, foot West 27th st., New York City. Shipments from Philadelphia should be forwarded by the "Clyde Line." Shipments from Baltimore should be forwarded by the "New York and Baltimore Transportation Line." Shipments from Boston should be forwarded by either "Fall River Line," "Metropolitan S. S. Co.," "New England Railroad," "Norwich Line," or "Providence Line." New York, January 10, 1904.

A. N. 102. No. 1. Panama Railroad Company, Panama Railroad Steamship Line.

Tariff of special rates to San Francisco, Cal., from points as indicated below—Subject to cancellation on 10 days' notice.

[Effective August, 1903. For use of agents only. Supersedes change in rate slips Nos. B 120, 145, 353, 354, 453, 483, 486, 500, 522, 523, 524, 525, 533, 540, 543, 547, 551, 580, 584, 635, 636, 640, 642, 643, 652, 653, 662.]

For—	Articles.	Rate.	From—	Remarks.
American Wire & Steel Co.	Wire, iron plain or barbed. C. L..	45c. pr. 100 lbs.	New York.	
Do	Wire, insulated, broom and binding, hay and shingle bands, wire springs, coppered or tinned, wire rope and cable (no piece over 4,000 lbs.).....C. L..	50c. pr. 100 lbs.	"	
Babbit, B. T.....	Soap, common soap powder, and con. lye.....C. L..	45c. pr. 100 lbs.	"	
Benjamin, Geo. P....	General merchandise....A. Q..	C. L. rates....	N. Y. and common points.	
Blake Moffit & Towne.	Flat paper and cardboard, A. Q.	75c. pr. 100 lbs.	"	Abs. 15c. pr. 100 lbs.
Bonestell Richardson & Co.	Book paper, N. S. C.....A. Q..	60c. pr. 100 lbs.	"	
Cluett, Peabody & Co.	Collars, cuffs, and shirts.....	130c. pr. 100 lbs.	New York.	
Dinkelspiel, L., & Sons.	Dry goods.....	40% off rail....	"	
Dolliver & Bro.....	General merchandise....A. Q..	C. L. rate.....	N. Y. and common points.	
Dunham Carrigan & H. Co.	" " ..A. Q..	C. L. rate.....	"	
P. H. & S. Co.....				
Eastman Kodak Co.	Kodaks and photo supplies....	180c. pr. 100 lbs.	New York.	
Elkus-Brenner Co., The.	Dry goods.....	40% off rail....	"	
Goldstone Bros.....	"	40% off rail....	"	
Holbrook, Merrill & S. Co.	Stamped ware, nested....A. Q..	C. L. rate.....	"	
Ide, Geo. P.....	Collars, cuffs, and shirts.....	130c. pr. 100 lbs.	"	
Lowenberg & Co....	Dry goods.....	40% off rail....	"	
Meyerstein Co., The.	"	40% off rail....	"	
Roblings, J. A., Sons' Co.	Wire, see Am. W. & Steel Co....	Same as A. W. & S. Co.	"	
Sternheim, S., & Son.	E ware, hotel china, com. tumblers and jelly glasses, A. Q.	70c. pr. 100 lbs.		
Do	Lamp goods, consisting of metal lamps, fix's, and trimmings.	140c. pr. 100 lbs.		
Do	Brass and bronze articles, other than lamp goods.	150c. pr. 100 lbs.	Cancelled.	
Do	Terra cotta or plaster of Paris busts and orn.	100c. pr. 100 lbs.		
Williamson Brothers.	Candy, rel. to 5c. per lb. valuation; 10 ton lots.	80c. pr. 100 lbs.		

Unless otherwise noted, rates applying from N. Y. and com. points will be subject to usual absorption of 20 cents per 100 pounds.

Effective August 26th, 1903. R. L. Walker, traffic manager, 24 State St., New York.

**CONTRACT BETWEEN THE REPUBLIC OF NEW GRANADA AND
THE PANAMA RAILROAD COMPANY, MADE IN 1850.**

*Contract in respect to the privilege of constructing a railroad from one ocean to the other
by the Isthmus of Panama.*

The executive power, being authorized by the legislative decree of 12th June, 1849, to amplify and amend the contract entered into in Washington on the 28th of December, 1848, for the construction of a railroad on the Isthmus of Panama, and it being advisable for this purpose to conclude and execute a new contract, in which the rights acquired and the obligations incurred by the Government of New Granada and the Panama Railroad Company may be clearly established, without need of reference to the contracts previously entered into on the subject, the citizen President of the Republic of New Granada has thought proper to empower for this purpose Victoriano de Diego Paredes, secretary of state for foreign affairs of the said Republic, and the Panama Railroad Company, John Lloyd Stephens, vice-president of said company and its commissioner in New Granada, who, after mature conference, have agreed upon the following contract:

CHAPTER FIRST.

OF THE RIGHTS, PRIVILEGES, GIFTS, FRANCHISES, AND EXEMPTIONS GRANTED TO THE
COMPANY.

TITLE FIRST.—*Grant of privileges.*

ARTICLE I.

The Government of New Granada grants to the company styled the Panama Railroad Company, its representatives or assigns, the exclusive right of building a railroad between the two oceans across the Isthmus of Panama.

ARTICLE II.

The privilege of building a railroad granted to the company by the preceding article shall continue in force forty-nine years, to be computed from the day of the completion of the road and its being opened to public use. Nevertheless, said privilege shall terminate before the expiration of the said forty-nine years if before their expiration the Government shall have resumed the privilege by virtue of the right and power reserved by the following conditions:

At the expiration of twenty years, counting from the day on which the railroad shall have been completed and opened to public use, the Government may resume the privilege for the benefit of New Granada, on paying the sum of five millions of dollars as the whole amount of indemnification. If the privilege be not resumed at that date, it shall continue in force ten years longer for the benefit of the company, at the end of which the Government may resume it on paying four millions of dollars. If the privilege be not resumed even at the expiration of the last-mentioned period, then it shall continue in force for ten years longer, at the expiration whereof the Government may resume the same on the payment of two millions of dollars. To entitle the Government to avail itself of the rights thus reserved to it of resuming the privilege granted, it must notify the company of its intention so to do at least one year before the day of the completion of either of the three periods above mentioned.

ARTICLE III.

The sum to be paid to the company on the resumption of the privileges in either of the three cases mentioned in the preceding article, shall be in specie, in American dollars, without deduction; it being well understood that in all other cases in which mention is made of dollars in this contract it is of American dollars, without deduction.

ARTICLE IV.

The company shall, after the resumption of the privilege, remain in possession of the lands granted to it gratuitously and perpetually by the eighteenth article of this contract.

ARTICLE V.

The railroad from ocean to ocean shall be completed within six years, to commence from the expiration of four months after the present act of concession shall have been approved by the Congress of the Republic, and the fact of its completion shall be proved before the governor of Panama at the request of the company, by a statement drawn up on each side, after discussion between it and the agent or agents of the executive power commissioned for that purpose.

ARTICLE VI.

While the exclusive privilege granted to the company, or persons engaged in the enterprise of building the railroad from one ocean to the other, continues in force, the Government of the Republic agrees, neither itself to build, nor grant to any other company whatever, under any title whatever, the right of building any other railroad on the Isthmus of Panama; and it is likewise stipulated that, while the said privilege continues in force the New Granadian Government shall have no power to undertake, nor to permit any other person to undertake, without the concurrence and consent of said company, the opening of any maritime canal to unite the two oceans across the said Isthmus of Panama.

ARTICLE VII.

During the whole term specified in the preceding article, and without interfering with the completion in due season of the railroad, the company shall have also the exclusive right of making across the Isthmus of Panama any sort of road for wheel carriages, either from ocean to ocean, or to any point on the river Chagres. Consequently, the New Granadian Government binds itself not to undertake, nor to permit any other company or individual to undertake, during the term specified in this article, the building of any other macadamized carriage road, plank road, or road of any other kind suitable for the use of wheel carriages, between the two oceans, across the Isthmus of Panama; it being, nevertheless, well understood that the privilege of which this article treats, can not and must not in any manner prevent the completion, preservation, and improvement of roads which already exist, or which are actually being constructed on the said Isthmus.

ARTICLE VIII.

The company shall have, moreover, the exclusive privilege of navigating the Chagres River by steam power, until the railroad is completed from one ocean to the other, on the terms specified in this contract, and in accordance with its provisions, the company in the meantime being bound to keep constantly on said river one or more steamboats employed in transportation; but the provision in this clause shall not prevent steamboats which may now be in said river from continuing to navigate the same.

ARTICLE IX.

Exclusive privilege is also granted to the company for forty-nine years:

First. To use the ports situated at the two termini of the railroad, required for the anchorage of vessels, and for the loading and unloading of goods which are to pass over the said road.

Second. To use the landings necessary, and especially those designed for the storage and free deposit of all goods and merchandise admitted for transit across the Isthmus on the railroad built by the company. By virtue of said privilege the company may collect as a compensation for the use of the line of communication, means of transportation, ports, landings, warehouses, and establishments of all kinds belonging to it, such tolls, storage, and carriage as the company may think proper to establish.

ARTICLE X.

The executive power shall determine the forms to be observed in the landing of goods on either ocean; and the intervention therein of the officers of the Republic to prevent the effects destined for transit from one ocean to the other from being left

on the way or fraudulently introduced for internal consumption. Said precautions shall be such as may tend to prevent all frauds to the injury of the public revenue without delaying or embarrassing the rapid dispatch and transit of passengers and packages of merchandise, luggage, and goods of all kinds which may be subjects of lawful commerce.

ARTICLE XI.

During the progress of the railroad towards completion the company may open to public use such portion thereof as may be passable, and as may be judged proper to be put in use, as its partial completion progresses. The company may also then enter proportionally into the enjoyment of the grants, privileges, and advantages which form the subject of the present grant, in conformity with the provisions of the second chapter of this contract.

ARTICLE XII.

The completion of one-half of the railroad shall secure to the company the absolute possession of the entire privilege hereby granted and of all the rights appertaining to it, the company, however, remaining always bound to complete the road within six years, in pursuance of article fifth, or in eight years, in case the period of such completion of the said road should be thus far extended, in default of which it shall incur the fines and penalties provided for in the aforementioned second chapter of this contract.

ARTICLE XIII.

The company may give to the railroad between the two oceans across the Isthmus of Panama such direction as it may judge most favorable for the enterprise, the points of departure and arrival which it may consider most advantageous and convenient for the entrance and anchorage of vessels, or for ports properly so called, and for wharves, dry docks, places for lighterage, landings, warehouses, stations, hotels, and establishments of all kinds being at its free option, it being, nevertheless, stipulated that the provisions of this article shall be understood without prejudice to what is hereinafter provided in article fifty-second of this contract.

ARTICLE XIV.

The company is also at liberty to select the mode which it may consider most favorable for the construction and working of the railroad, provided it be completed in such a manner that travelers and goods passing over it may be transported in twelve hours at the farthest from one ocean to the other, and vice versa.

TITLE II.—*Grants of lands.*

ARTICLE XV.

In consideration of the difficulties of the enterprise, and of the direct and indirect advantages which the Republic must derive from it, various grants of lands are made to the company, on the continental part of the Isthmus, comprised within the limits which bounded the provinces of Panama and Veraguas, on the first day of January, one thousand eight hundred and forty-nine. The Government of the Republic grants, therefore, gratuitously to the company, on the terms mentioned in this article:

First. The lands which may be necessary for the building of the line of the railroad through its whole extent.

Second. All the lands which it may require for the establishment of seaports, dry docks, river ports, landings, wharves, places for lighterage, warehouses, stations, hotels, and in general for all purposes necessary in the construction and working of the railroad.

ARTICLE XVI.

Although, according to what is expressed in the preceding article, the company has no right to vacant lands on the islands adjacent to the Isthmus of Panama, the Government of the Republic, nevertheless, binds itself to grant to the company all the vacant lands on the island of Manzanillo, in the Bay of Limon, whenever the company considers it proper to extend the work of the railroad to said island, so that one of its extremities terminates thereon.

ARTICLE XVII.

The grant of vacant lands, mentioned in the two preceding articles, is to be understood as referring to lands belonging to the Republic. With regard to those which are the property of individuals, the company must obtain them from their owners, after valuation and proper indemnification, in the manner specified in article twenty-first.

The lands granted by the Government of the Republic, as specified in the two preceding articles, shall revert to its possession and jurisdiction immediately on the expiration of this privilege; and shall be restored to it by the company on the dates fixed for that purpose, in the prescribed form and agreeably to the conditions specified in the second chapter of this contract, wherein the duties and obligations assumed by the company are set forth.

ARTICLE XVIII.

A grant is, moreover, made to the company, gratuitously and in perpetuity, of one hundred thousand fanegadas of vacant land, in the provinces of Panama and Veraguas, within the limits set forth in the first part of the fifteenth article, which may be increased to one hundred and fifty thousand, if such extent be found at the disposal of the Government in the two provinces above mentioned, so that the Government can pronounce them vacant; and the company shall have liberty to select them, in the continental portion of said provinces, where it may judge most proper. It being stipulated, that in those which may be selected on the line of the road or in its vicinity, intervals shall be positively left, of equal extent to those which the company reserves to itself, so that the Government of the Republic may make grants or sales of land for other establishments, which may be made on said line or in the vicinity of the road.

The one hundred thousand fanegadas of land, or such number thereof, up to the number of one hundred and fifty thousand fanegadas, which may be at the disposal of the Government as vacant, and granted to the company, may be used to make therein encampments for workmen, fields for cultivation, pastures for beasts of burden and cattle, places for cutting wood, for building or for fuel; and in general for establishments, suitable for facilitating any industrial operations undertaken by the company, especially those relating to colonization.

If, which is not to be expected, there should not be within the limits of the provinces of Panama and Veraguas, mentioned in the preceding fifteenth article, the vacant lands necessary to secure to the company the one hundred thousand fanegadas specified in this article, those which may be wanted to complete the one hundred thousand fanegadas, will be granted at the points which the said company may designate in the continental part of the provinces of Carthagena, Santamarta, Riohacha, and Choco; this grant and the others mentioned in the present article being understood in reference to the vacant lands which belong to the State and to no others.

The Government of the Republic will make no grants of vacant lands within the limits aforementioned of the provinces of Panama and Veraguas until after those mentioned in this article have been delivered into the possession of the company; saving, nevertheless, the right which any other person may have acquired by virtue of grants of the Granadian Government anterior to the date of the present contract.

ARTICLE XIX.

The vacant lands granted to the company by the eighteenth article of this contract are given to it in full ownership, and the company may freely dispose of them during the continuance of the privilege granted and after the termination of said period or the resumption of the said privilege.

ARTICLE XX.

The lands mentioned in the preceding article and the lands appropriated for the railroad shall be delivered to the company as they may be requested, and agreeably to the provisions of the fifteenth, sixteenth, seventeenth, and eighteenth articles of this contract.

ARTICLE XXI.

When the lands required for building the railroad for ports or any other appurtenances of the works of said road are the property of individuals, the company shall have the right to take them, by order of the governors of the respective provinces,

after valuation made and just indemnification given to the owner, in conformity with the provisions of the law of June 2d, 1848, defining the cases in which property may be taken for public use, and the forms to be observed in such cases.

ARTICLE XXII.

The delivery to the company of the vacant lands granted gratuitously to it shall be effected provisionally so soon as they may be designated by the company after proof of their character as vacant lands, a survey and an appropriation to it by the governor of the respective provinces. This provisional appropriation shall be submitted to the examination and approval of the executive power. So long as it shall not be confirmed it shall only produce the effect of preventing any subsequent grants of the lands in favor of a third person, but from the time that it has been examined and approved, in conformity with this article, it shall be equivalent to taking formal possession thereof.

ARTICLE XXIII.

The company being at liberty to vary or modify the line of the railroad if difficulties or obstacles should be found in carrying it out on the line first selected, may, in such case, change also on the portion so varied the location which it may have previously made of the vacant lands, which it can obtain gratuitously, according to the stipulations of the fifteenth article.

TITLE III.—*Rights, franchises, and exemptions.*

ARTICLE XXIV.

The Republic, in order to aid as far as possible, on its part, the enterprise of the company and to facilitate the success of its operations of all kinds, confers upon the company the rights, franchises, and exemptions mentioned in the articles following:

ARTICLE XXV.

The enterprise is deemed of public utility.

ARTICLE XXVI.

The company is authorized to propose to the executive power such regulations as it may judge proper for the police, security, use, and preservation of its ways of communication, ports, works, and establishments of all kinds; but such regulations shall not take effect without the express approval of the executive power, which even after having approved may annul or amend them if it think proper, proceeding always in conformity with the laws of the Republic.

ARTICLE XXVII.

The rates of transportation or freight of money, carriage of merchandise or travellers over the railroad, of port dues, board, and storage in its depots and establishments shall be fixed by the company, and modified as it may judge proper, making them immediately known to the local authorities in order that the public may be informed of them.

ARTICLE XXVIII.

All correspondence which may arrive from the territory of the Republic or from foreign countries to be transported over the railroad, whatever may be its destination, must absolutely pass through the post-offices of New Granada, which shall open with the company an annual account current of postage in order to compute the share of profits belonging to New Granada, in conformity with the provisions of the thirtieth article of this contract and in order to guard against fraud in this respect.

ARTICLE XXIX.

To carry out the stipulation in the preceding article the company binds itself not to receive any other packages of correspondence than those delivered to it by the post-offices of New Granada, to be carried by the railroad to their port of embarkation or to the point on the Isthmus for which they may be destined on the line of

the said road, complying with the regulations which the executive power may lay down on the subject, and also with those which may be given for the carrying on said road of the correspondence of foreign nations which may be delivered to the company by the officers of the Republic for that purpose.

ARTICLE XXX.

The executive power shall at all times determine what foreign nations may be permitted to transport their correspondence across the Isthmus of Panama by the railroad, but in all cases in which the mails of foreign nations shall be permitted to pass by the Isthmus of Panama all contracts and pecuniary agreements for their transportation by the said railroad shall be made by the company, and all the pecuniary proceeds of such contracts and agreements shall go into the funds of the company as a branch of its profits. In compensation for this privilege the company undertakes to transport by the railroad, free of charge, all the mails of New Granada; and, moreover, to pay to the government of the Republic five per cent on all sums of money which it may receive in virtue of said contracts and agreements, whether such sums proceed from contracts which the company may enter into with foreign governments or with other companies, or from the general regulations which it may establish for the carrying of the correspondence of nations which may not have entered into special contracts with it.

And it is also stipulated: First. That whatever may be the profit which the company may receive by virtue of such contracts and agreements, in no case shall it on this account pay to the Government of New Granada less than ten thousand dollars per annum; second, that this payment shall be over and above the three per cent of the net profits of the enterprise to which New Granada is entitled; and third, that the power of the company to enter into such contracts or pecuniary agreements shall not be opposed in any manner to the contracts or agreements which now exist between the Republic of New Granada and any foreign nation or nations, for the transportation of mails on the Isthmus of Panama.

ARTICLE XXXI.

The services of all kinds which the company is to perform on the railroad, during the continuance of its privilege, shall be performed exclusively by its agents, and with the materials belonging to it, unless it should choose to perform them in another way.

ARTICLE XXXII.

The company may freely introduce into the Isthmus, without paying duties or taxes of any kind, all the implements, machines, iron tools, material, and manufactured articles intended for the construction, working and preservation of the railroad, and also the articles required for the subsistence and clothing of the workmen employed in the work, during the whole period of the construction of the road, being subject in this respect to the regulations which the executive may establish.

ARTICLE XXXIII.

No taxes or contributions, national, provincial, municipal, nor of any other kind, shall be imposed upon the railroad or upon its warehouses, furniture, machines or other works, property and effects of any kind belonging to it, and which in the judgment of the executive power are necessary for the service of the said railroad or its dependencies; and in compensation it is expressly stipulated that, in every case and notwithstanding any provisions of this contract to the contrary, the troops, warlike stores, arms, clothing, and other effects of the Government of the Republic, and persons coming to it as new settlers on account of the State, shall be transported gratuitously over the railroad at the charge and cost of the company, and without the Government or such troops or colonists having to pay anything for freight or for any other cause.

ARTICLE XXXIV.

Passengers, money, merchandise, goods, and effects of all kinds which may be transported across the Isthmus, to go from one ocean to the other by the railroad, shall be exempt from taxes and imposts, national, provincial, municipal, or of any other description. The same exemption is extended to all effects and merchandise

which may remain on deposit in the ports, stores, and landings of the company, destined either for the interior or for other countries; but the merchandise or effects, destined for consumption in the interior of the Republic, shall pay the duties and imposts established, or which may be established, when such goods leave the warehouses of the company; to which end their delivery shall be conducted under the cognizance of the officers of the Republic, and in conformity with the laws and regulations laid down by the executive.

ARTICLE XXXV.

Foreigners who may form settlements on the vacant lands granted gratuitously to the company shall be exempt during the space of twenty years from the date of the formation of such settlements from all forced contributions, and from tithes and first fruits on their agricultural property and their products for home consumption; they shall be entitled to receive letters of naturalization, as soon as they solicit them, on fixing their residence in the territory of the Republic; and during the said term of twenty years from the formation of their settlements, they shall not be obliged to serve in the Army, Navy, or national guard, nor to take arms in defence of the Republic, save in case of foreign invasion.

ARTICLE XXXVI.

Travellers passing from one sea to the other over the railroad shall not require any passport to pass over it, except in cases of foreign war or internal political commotion, when the Government may deem the presentation of passports expedient for the security of the country or the preservation of public order. Nevertheless persons who have been expelled from the territory of the Republic, or other individuals whom the laws may have forbidden to enter it, shall not pass over the Isthmus.

CHAPTER SECOND.

OF THE DUTIES AND OBLIGATIONS ASSUMED BY THE COMPANY.

ARTICLE XXXVII.

The company undertakes to execute, at its own expense, risk, and peril, all the works necessary for the establishment and construction of a railroad, to open and keep up a line of communication between the two oceans across the Isthmus of Panama.

ARTICLE XXXVIII.

The said works shall, unless in case of superior force, be commenced within the period of eighteen months, which shall begin to run four months after the approval of this contract by the Congress of the Republic. Works of a definite nature, in respect to the laying out the line, indispensable to its execution, shall be regarded as the beginning of the enterprise.

ARTICLE XXXIX.

The said works shall be completed within the term of six years, counting from the expiration of four months after the approval of this contract by Congress, so that the railroad undertaken by the company shall be passable in all its parts at the expiration of the term so specified; but if after constructing and making passable one-third part of the railroad the company should find that it cannot finish it in its whole extent in the six years agreed upon in this article, it shall have the right to ask an extension of the term, which shall be granted by the executive for two years, in addition to the six years fixed for the completion of the whole railroad, without incurring thereby any of the penalties contained in this second chapter of this contract.

ARTICLE XL.

The company shall secure the fulfillment of the obligations assumed by it for the execution of the works of the enterprise, which is the subject of this contract, in the sum of one hundred and twenty thousand dollars; but it shall not be necessary for the company to deposit this sum in cash, but only to secure it by means of an instrument of double the amount, executed with all proper solemnities and to the entire satisfaction of the Government of the Republic, to answer, by virtue of such security

for the said sum of one hundred and twenty thousand dollars in case the railroad should not be completed within the time stipulated in this contract and in accordance with the provisions herein agreed upon.

ARTICLE XLI.

In case the privilege should become void in consequence of failure to begin the work, or from its not being completed in the manner and within the period prescribed therefor, the company shall forfeit in favor of the Republic the sum of one hundred and twenty thousand dollars mentioned in the preceding article.

ARTICLE XLII.

If the company should not have made its preparations for beginning its works agreeably to the thirty-eighth article, and if it should not have actually begun the same twenty-two months after this contract has been approved by Congress, it shall forfeit all the privileges and advantages which result to it therefrom; unless the agents of the Government of the Republic should not have affected the delivery of the lands necessary for the road within three months after they have been demanded by the company. In this case the term allowed by the thirty-eighth article for the commencement of the work shall be extended for a period equal to that of the delay it has sustained in the delivery of the lands after the three months from the time of their being demanded.

On no account and at no time shall the work of the railroad be suspended by reason of differences which may arise between the company and the owners of land as to the value which must be put upon such as it may be necessary to purchase for the building of the said road; but in order to give positive guaranties to such owners, and that their rights may not in any manner be prejudiced, the company shall execute a personal undertaking or mortgage, sufficient, in the judgment of the governor of Panama, to answer for the price which may be fixed for said lands, according to the law of the second of June, one thousand eight hundred and forty-eight, "of expropriation."

ARTICLE XLIII.

If at the end of the six years fixed for the completion of the railroad the company should not have completed half of the work it shall incur the penalty of the avoidance of the privilege and forfeit the sum of one hundred and twenty thousand dollars, secured by the obligation in double the amount which it is to execute as a guarantee of the fulfillment of the conditions which it assumes. The company shall incur the same penalties if at the end of the eight years the works of the railroad shall not be completed, and the said road passable throughout, in the manner and form and according to the conditions set forth in this contract.

ARTICLE XLIV.

In case of forfeiture legally declared against the company it shall be bound to return to the Government the lands granted gratuitously to it and in the same conditions in which they may be when the forfeiture is pronounced without any obligation on the part of the New Granadian Government to make to the said company, or to its assigns, any indemnification for improvements or for any other cause.

ARTICLE XLV.

After the entire completion of the work of the line of the railroad the company shall order a survey of the lands to be made at its own expense, with notice to the owners of the lands adjoining, together with a statistical plan of all the parts of the road which are to be returned with it to the Republic at the time of the expiration of the privilege. It shall also order a descriptive statement to be made, at its own expense, of the bridges, aqueducts, and other works of art which may have been constructed and which are to be returned to the Republic at the same time.

ARTICLE XLVI.

The company shall make also, at its own expense, similar descriptive statements of all the subsequent works of the same kind which it may afterwards construct during the period of its possession of the privilege.

ARTICLE XLVII.

An exact and authenticated duplicate of the statistical plan and descriptive statements above mentioned, shall be delivered by the company to the governor of Panama, or sent to the office of the secretary for foreign affairs, to be deposited in the national archives for use there, in case of need, during the continuance of the privilege, or at the time of its expiration.

ARTICLE XLVIII.

One year before the expiration of the privilege the company shall be bound to make, on notice to and after hearing the agents of the Republic commissioned for the purpose, valuations, statements, and inventories of the immovable property, bridges, aqueducts, and other works of art which are to be returned to the Republic, agreeably to the descriptive statements and statistical plan, of which the duplicates shall have been deposited in the archives of the administration of New Granada.

ARTICLE XLIX.

At the expiration of the term of the privilege, and by the mere fact of its expiration, or in case of the resumption of the privilege, as provided in the second article of this contract, and by the mere fact of the resumption, the Government of New Granada shall be substituted in all the rights of the company, in the ownership of the lands and of the works of art, designated in the statistical plan and in the inventories and descriptive statements above mentioned, and shall enter immediately into the enjoyment of the line of communication, of all its appurtenances and dependencies, and of all profits accruing therefrom. The company shall be bound to deliver to the Government in good condition, the roads, the works which compose them, and their appurtenances, such as the places for lighterage, for discharging cargo, guardhouses for the inspectors, offices for the collection of freight and carriage, machines, fixed or movable, and, in general, all objects movable and immovable, whether destined specially for the service of transportation or applicable to any other object connected with the enterprise, and whether included or omitted in the said plans, inventories, statements, and statistical tables.

ARTICLE L.

In conformity with what is already specified it is hereby expressly stipulated that when, at any time or for any cause whatever, the privilege of the company shall terminate or expire, the Government of the Republic shall enter immediately and gratuitously into the enjoyment, ownership, and possession of all the objects which form the subject of articles forty-eight and forty-nine preceding the present; and consequently the said Government shall enter likewise immediately and gratuitously into the enjoyment, ownership, and possession of the railroad in its whole extent, from one ocean to the other, and of the places for lighterage, wagon roads, lateral and cross, places for loading and unloading, storehouses, stations, guardhouses for the police, offices for the collection of freight and carriage, machines, fixed or movable, and, in general, of all the works, effects, utensils, and things of every kind which, in the judgment of the executive power, may be necessary for the use of the road and its dependencies, such as locomotives, cars and carriages of every description, materials and furniture of every kind, and, in fine, any other things, movable and immovable, which may be applicable to the service of the railroad and of the other roads, works, and establishments dependent upon it, or in any manner connected with the enterprise, or belonging to it, although not expressly mentioned in this article, nor in those preceding; it being well understood that all these things, movable and immovable, shall pass, as it has been mentioned, into the enjoyment, ownership, and possession of the Government of the Republic without its being obliged to pay anything to the company by way of indemnification, or for any other cause.

ARTICLE LI.

In consideration of the collection and receipt of the duties and rates of transportation fixed by it, the company binds itself always to effect with care, punctuality and celerity, and without exception as to national character, the transportation of travellers, cattle, merchandise, goods, and materials of all kinds which may be confided to it, all of which shall be transported without any deduction from the established prices, except such as it may allow in favor of nations which are now bound, or which may hereafter

become bound, by means of public treaties entered into with New Granada, to guaranty positively and effectually to this Republic its rights of sovereignty and ownership over the territory of the Isthmus of Panama, and the perfect neutrality of said Isthmus, to the end that the free transit from one sea to the other may never be interrupted or embarrassed; but notice is expressly given, and in fact it is hereby especially stipulated, that New Granada, Granadians, and their property shall enjoy all the benefits and advantages which any other nation whatever may obtain by virtue of the provision in this article.

ARTICLE LII.

Whatever may be the line selected by the company for building the railroad between the two oceans, one of its extremities shall be the city of Panama.

ARTICLE LIII.

Vessels of nations at war with New Granada shall not be admitted into the ports at either extremity of the railroad, nor shall the productions, effects, and property of such nations have free transit across the Isthmus on said road.

ARTICLE LIV.

The expenses of surveying and laying off the lands granted to the company, the cost of the statistical plan, inventories, and descriptive statements mentioned in this contract, as well as the expenses and cost of the titles of ownership to be given by the authorities or notaries of the Republic, shall be borne by the said company; but all documents, of whatever nature, drawn up in the execution of this contract, shall be registered without cost.

ARTICLE LV.

The company binds itself to pay annually to the Government of New Granada three per cent of the net profits of the enterprise, in the same proportion in which they are to be distributed in form of dividends to the shareholders, without taking into account in the payment of the said three per cent any deduction for the supposed interest of the capital of the company, or for any sum which the shareholders may designate as a reserve or sinking fund. It is stipulated that for the receipt of this duty the Government of New Granada shall look, with the shareholders of the enterprise, to the accounts produced and liquidated at the general meeting of the company, which accounts the agent of the Republic may examine, and in respect to them he may make observations in the same manner as any shareholder, but without power of interfering in the general management of the company. Besides what is stipulated in this article, it is also agreed that the payment of the said duty of three per cent shall be made at Bogota, Panama, or New York, as the Government of the Republic may direct.

ARTICLE LVI.

The company selects New York as its domicile, and will maintain in Panama a representative with power sufficient to act in its name in all cases where it may be necessary.

ARTICLE LVII.

The present privilege can not be granted or assigned to any foreign government—that is, to any government out of the New Granadian territory—under penalty of forfeiture of the privilege, by the mere fact of attempting or carrying into effect such grant or assignment; and, although it should at any time be attempted or carried into effect, it will be, and from this time is, declared absolutely null, and of no force or effect.

ARTICLE LVIII.

Wherever in this contract mention is made of the completion, expiration, or termination of the privilege granted by it, all that is said in reference to such completion, expiration, or termination shall be understood as said and applicable also to the case of the resumption of the said privilege. Consequently, it is expressly stipulated, that at any time when the said privilege may be resumed, according to the second article of this contract, the Panama Railroad Company shall fulfil all the duties incumbent upon it, in the same terms as if the forty-nine years, which the privilege at the

utmost, may extend, had expired; and it is also expressly stipulated that for the sum which may be paid as indemnification to the Panama Railroad Company, in any of the three cases set forth in the article last mentioned, the Government of New Granada shall acquire not only the rights, but also all the material objects, which the company is bound to deliver to it on the expiration of the privilege, which delivery shall be made as may be established by general regulation, on the same terms on which it should take place, if the forty-nine years which the privilege at the utmost may continue had expired.

ARTICLE LIX.

Controversies which may arise between the executive power of New Granada and the Panama Railroad Company, in regard to the fulfilment or failure in fulfilment of this contract, or upon the understanding or construction of the clauses it contains, shall be determined by the magistrates and according to the laws of the Republic of New Granada. In no case shall any privilege, immunity, or exemption be alleged which is not expressly recognized or granted in this contract; nor will the intervention of any authority or functionary other than those legally established with jurisdiction in the Republic be allowed. Such controversies as may affect the existence, preservation, or permanency of the privilege and of the rights thereunto appertaining shall be decided by arbitration.

ARTICLE LX.

The Government of the Republic binds itself to protect and maintain, fully and entirely, the rights of the company under this contract; and to this end it agrees, that where doubts occur in the construction of any clause or clauses inserted in the preceding articles, which secure to the company any inducements or advantages, if such doubts should occur in consequence of such clauses not being sufficiently explicit, they shall be interpreted in the natural signification most favorable to the company.

ARTICLE LXI.

All the legislative acts, decrees, and agreements by which, in former years, various privileges were granted for the opening of an intermarine communication by the Isthmus of Panama are irrevocably annulled. Consequently, the "Panama Railroad Company" has the sole right and duty of constructing a railroad from one ocean to the other by the said Isthmus, in conformity with the stipulations of this contract, which is the only one remaining in force on the subject between the Government of the Republic and said company; since by this clause not only all the acts, decrees, and agreements above mentioned, but especially all the contracts and stipulations, which formerly existed between the said Government and the said company, or the individuals, of whose rights it is the assignee, are annulled.

ARTICLE LXII.

This contract, as divided into two chapters and extending to sixty-two articles, shall be submitted for approval to the executive power of the Republic, and that being obtained, shall be presented by it to Congress; the consent and approval of which are required, in order that, receiving the force of a law, it may be carried into effect."

The railroad enterprise, being of public utility, the authorities shall afford it all possible protection in conformity with the laws.

[Translation of Article V, of Law No. 33 of 1890, as published in the "Gaceta de Panama" No. 416 of Dec. 10th, 1890.]

ARTICLE V.

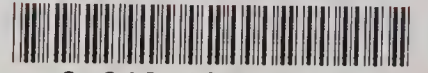
From the month of January, 1891, the Department of Panama will continue to receive directly from the Panama Railroad Company the sum of twenty-five thousand dollars (\$25,000) in American gold, assigned to it by law 46 of 1867, by which a contract was approved. The Government will give opportune notice to the Panama Railroad Company in order that the dispositions made by this article may be carried out on the date expressed in same.

"NOTE.—Congress approved June 4, 1850.

Lb Ap '12



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